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Indiana Department of Financial Institutions

YOUR RIGHTS



Take Home Guide

Building: Knowledge,
Security, and Confidence

FINANCIAL EDUCATION CURRICULUM

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Money Smart

The *Money Smart* curriculum is brought to you by the Indiana Department of Financial Institutions/Federal Deposit Insurance Corporation (FDIC). The *Money Smart* program includes the following courses:

- **Your Rights**
your rights as a consumer
- **Bank On It**
an introduction to bank services
- **Check It Out**
how to choose and keep a checking account
- **Money Matters**
how to keep track of your money
- **Pay Yourself First**
why you should save, save, save
- **Borrowing Basics**
an introduction to credit
- **To Your Credit**
how your credit history will affect your credit future
- **Charge It Right**
how to make a credit card work for you
- **Your Own Home**
what homeownership is all about
- **Loan to Own**
know what you're borrowing before you buy

Your Rights

Welcome to Your Rights! There are many consumer protection laws that have been passed to protect your rights as consumers. The following are some highlights of laws that protect your banking and credit rights.

CONSUMER LEASING ACT (CLA)

The Consumer Leasing Act requires clear disclosure of leasing terms so consumer can compare leases. Disclosures must be made before a lease is signed and must be available for the consumer to keep.

ELECTRONIC FUND TRANSFER ACT (EFTA)

This law limits consumer liability if ATM cards are stolen or lost and protects consumers against electronic transfer errors.

EQUAL CREDIT OPPORTUNITY ACT (ECOA)

This law prohibits lending discrimination based on certain characteristics. It also requires home loan lenders to collect information on the race, sex, marital status, and age of applicant. This information is used to monitor for discrimination.

FAIR HOUSING ACT (FHA)

The Fair Housing Act prohibits discrimination based on race, color, religion, sex, national origin, familial status, or handicap in housing-related transactions.

REAL ESTATE SETTLEMENT PROCEDURES ACT (RESPA)

This law requires that lenders provide you with accurate and timely disclosures of the costs of settlement such as loan origination fees (points), broker's commissions, and title charges. RESPA was designed to prevent abusive practices such as kickbacks for loan referrals. It also regulates escrow accounts.

TRUTH IN LENDING ACT (TILA)

This law requires lenders to disclose the total cost of your loan and the annual percentage rate (APR). In addition, it gives consumers the right to cancel second or junior mortgage loans and first lien refinance loans within three business days.

TRUTH IN SAVINGS ACT (TISA)

A financial institution must reveal (disclose) the terms of consumer bank accounts, including the annual percentage yield (APY).

See the Indiana Department of Financial Institutions' Web Sites for information on the laws covered in the course under Credit Information at:

<http://www.dfi.state.in.us/conscredit/end.htm>.

Nondeposit Investment Products

Some banks sell nondeposit investment products (such as mutual funds, annuities, and stocks). Since these products are not insured by the Federal Deposit Insurance Corporation (FDIC), keep the following tips in mind to protect your money.

How to Protect Yourself

- Before investing in nondeposit products, remember to have enough emergency savings (many financial experts suggest you have 2-6 months of expenses in a savings or other readily accessible account).
- Never invest in a product you don't understand.
- Be sure you have enough information before making an investment. Ask questions until you are satisfied.
- Investments always have some degree of risk. Understand the risks before investing.
- Be sure your sales representative knows your financial objectives and risk tolerance.
- Find out more about your registered sales representative or broker/dealer by calling: National Association of Securities Dealers 1-800-289-9999.

Equal Credit Opportunity Act (ECOA)

Before applying for a loan:

The Equal Credit Opportunity Act or ECOA protects consumer rights throughout the loan process. Lenders cannot discourage you from applying for a loan based on certain characteristics. The ECOA promotes the availability of credit to all creditworthy applicants without regard to the factors (also called *prohibited bases*) listed below:

- Race
- Color
- Religion
- National origin
- Sex
- Marital status
- Age
- Receipt of public assistance income (the fact that all or part of the applicant's income is derived from public assistance program)
- Exercise of rights under the Consumer Credit Protection Act (Example: You cannot be denied a loan because you have filed a complaint against the bank.)

During the loan application process:

ECOA restricts the lender from requesting certain information during the loan application process. In general, the lender may not ask:

- For information about a spouse or former spouse unless your spouse is applying with you. If you are applying for unsecured credit, the lender cannot ask about marital status. If you do not qualify on your own, lenders may require a cosigner or guarantor, but may not require that it be your spouse. If you are jointly applying or if the loan is secured, the lender may ask your marital status, but can only use the terms married, unmarried, and separated.
- For income derived from alimony or child support unless you want it considered as part of your income. The lender cannot discount or refuse to consider consistent part-time income, annuities, pensions, alimony, or child support payments.
- About birth control practices or intentions of having children. However, a lender may ask about the number and ages of your dependents.
- About whether you are male or female. Courtesy titles (Mr., Mrs., Miss, Ms.) can be requested, but these are optional.
- For your race, color, religion, or national origin.

For home loans, lenders are required by the government to collect information on race, sex, marital status, and age.

Fair Debt Collection Practices Act (FDCPA)

After you get your loan:

The Fair Debt Collection Practices Act (FDCPA) helps eliminate abusive debt collection practices. Under this law, debt collectors cannot:

- Contact you at any unusual time (between 9:00 p.m. and 8:00 a.m.) or place.
- Contact you at work if you have informed them not to call you there.
- Use threat of violence or other criminal means to harm you or your property.
- Call you with the intent to annoy, abuse, or harass.
- Call you without identifying themselves.
- Use deceptive or misleading methods to collect debt.

If you feel the Fair Debt Collection Practices Act has been violated, contact the appropriate federal regulatory agency. These agencies are listed in this Take-Home Guide under *Resource List*.

The FDCPA does not apply to the collection practices of the creditor. If a creditor is harassing you or using abusive or deceptive collection practices, you would need to complain to a collection manager of the creditor or your State may have statutes that apply to creditors (Indiana does not).

Sample Complaint Letter

Your Name
Your Address
Your City, State, Zip Code
Date

Name of Contact Person Title
Company Name
Consumer Complaint Division (If you have no contact person)
Street Address
City, State, Zip Code

RE: *(Account number, if applicable)*

Dear *(Contact Person)*:

On *(Date)*, I bought a \$150 item at *(Name of Department Store)*. I was reviewing my credit card statement and I noticed I was billed twice for the same item.

To resolve the problem, I would appreciate your crediting my account for \$150. Enclosed is a copy of my receipt.

I look forward to your reply and a resolution to my problem and anticipate hearing from you before *(set a time limit)*. Please contact me at the address above or by phone *(Home and Office Numbers with Area Code)*.

Sincerely,

Your Name

Enclosure(s)

cc: *(reference to whom you are sending a copy of this letter, if anyone)*

Resolving Complaints by Writing to the Regulators

If you have written a letter to the financial institution that does not produce desired results, you can write to the institution's regulator for assistance. Sometimes that means writing to the FDIC. Like the example of a complaint letter given in your course, include the following information to help the regulators investigate your complaint:

1. State the problem briefly in a letter. Tell the regulator what occurred and how you would like to see the matter resolve.
2. Include your full name, address, and daytime and evening telephone numbers with area codes.
3. Provide the complete name and address of the financial institution, along with the names of employees who have assisted you with your problem.
4. Include pertinent account information such as account numbers and the type of product you have (checking account, savings account, home equity loan, or home loan).
5. Include important dates, such as the date a transaction took place or the date you contacted the financial institution about your problem
6. Send copies of documents that may help explain your problem. Keep original documents.
7. Sign and date your letter.

Predatory Loans

How to avoid predatory loans

- Pay your bills on time to ensure you have a good credit history. Make sure your credit history is accurate by reviewing your credit report every year.
- Be an informed consumer. Make sure to shop around for the best deal. If a lender is unwilling to give you the information you need to comparison shop, you probably don't want to do business with him or her.
- Be careful of lenders who tell you they don't care about your credit history or how much you earn. Many of these places charge higher interest and higher fees.
- Don't respond to advertisements that make lending sound cheap and easy.
- Be careful of home improvement contractors that promise to get you a loan.
- Most credit insurance is optional. Lenders cannot require you to purchase credit insurance from their company.
- There may be better alternatives to credit life insurance, such as a life insurance policy purchased separately.
- Ask friends, family, and credit counselors for advice before applying for a loan. Take someone along with you when you talk to a lender.
- Take your time before deciding on the best loan or lender. Don't let lenders pressure you into a decision before you are ready.
- Keep copies of what lenders give you.

What to do if you feel you are a victim of a predatory loan

If you think you are a victim of a predatory loan, contact an attorney.

Most communities have offices that provide free legal services to individuals with limited income. Look in the community services pages of your phone book or look in the white pages under "Legal Services of...." for the phone number of a local program.

The American Bar Association has a directory of pro bono programs. The programs use local lawyers who have agreed to provide free legal services. The following link can help find a program in your area:

<http://www.abanet.org/legalservices/probono/foreword.html>

In Indiana at <http://www.abanet.org/legalservices/probono/pb-indiana.html>.

Losing Your Wallet or Purse

What to do if your wallet is lost or stolen

If your wallet is lost or stolen, the Federal Trade Commission (FTC) suggest you:

- File a report with the police as soon as possible. Keep a copy of the report in case your bank or insurance company needs proof of the crime.
- Cancel your credit cards immediately. Get new cards with different numbers.
- Report missing cards to the major credit reporting agencies:

Experian	1-888-397-3742	http://www.experian.com/
TransUnion	1-800-916-8800	http://www.transunion.com/index.jsp
Equifax	1-800-685-1111	http://www.equifax.com/

- Report the loss to your bank. You might want to open new checking and savings accounts and stop payment on any lost checks.
- Contact the major check verification companies to request that they notify stores that use their databases not to accept these checks. You can also ask your bank to notify the check verification service with which it does business. Three of the check verification companies that accept reports of check fraud directly from consumer are:

TeleCheck	1-800-710-9898
International Check Services	1-800-631-9656
Equifax	1-800-437-5120

Get a new ATM and/or debit card with new numbers and passwords.

Identity Theft

How to minimize the risk of identity theft

Identity theft is when someone takes your personal information without your knowledge to commit fraud or theft. The following points are recommendations from the Federal Trade Commission to minimize the risk of identity theft.

- Before you reveal any personal information, find out how it will be used and whether it will be shared with others.
- Pay attention to your statements. If your bills don't arrive on time, contact your creditor. A missing credit card bill might mean that the identity thief has changed your billing address and is using your account.
- Guard your mail from thieves. Pick up your mail from your mailbox as soon as possible. Place outgoing mail in post office collection boxes.
- Do not give out personal information over the phone or through the mail unless you have initiated the contact and know with whom you are dealing. Thieves may post as bankers, government officials, or others to get you to reveal your Social Security number or bank account number.
- Keep items with personal information safe. When you throw away receipt, credit card applications, and old checks or statements, make sure to shred them.
- When you make up your Personal Identification Number (PIN) for your credit, ATM, or debit card, don't use something a thief might guess, such as birth date, Social Security number, or phone number.
- Order a copy of your credit report every year. Catch mistakes and fraud before they ruin your personal finances.

Visit the Indiana Department of Financial Institutions' Web Site on Identity Theft at: <http://www.dfi.state.in.us/conscredit/IdThieve.html>.

What to do if you think your identity has been stolen

The Federal Trade Commission (FTC) recommends the following actions if you believe you are a victim of identity theft. You can also call the FTC's Identity Theft Hotline at 1-877-438-4338.

Take action immediately! Keep records of your conversations and all correspondence.

- File a report with your local police. Get a copy of the police report so you have proof of the crime.
- Contact the fraud department of the three major credit reporting agencies. Tell them you are an identity theft victim. Ask them to place a "fraud alert" in your file. Ask for a copy of the credit report. They must give you a free copy of your report if it is inaccurate because of fraud.
- Contact your creditors about any accounts that have been changed or opened fraudulently. Ask to speak with someone in the security or fraud department.

For more information regarding identity theft, visit the following Web Sites:

FTC (you can also call 1-877-438-4338) <http://www.consumer.gov/idtheft/>

National Fraud Information Center (you can also call 1-800-876-7060)
<http://www.fraud.org>

View the **Identity Theft and Assumption Deterrence Act** at:
<http://www.ftc.gov/os/statutes/itada/itadact.htm> .

See our Indiana Department of Financial Institutions' Web Sites:

What to do if Your Identity is Stolen at:

http://www.dfi.state.in.us/conscredit/identity_crisis.htm

Identity Thieves at: <http://www.dfi.state.in.us/conscredit/IdThieve.html>

Pretexting at" <http://www.dfi.state.in.us/conscredit/pretexting.htm>

Identity Theft Resource Center at: <http://www.idtheftcenter.org/>

Privacy Rights Clearinghouse at: <http://www.privacyrights.org/>, 1717 Kettner Avenue, Suite 105, San Diego, CA 92101; (619) 298-3396; Fax (619) 298-5681.

Resource List

Federal Regulatory Agencies

<p>If your complaint or questions concerns a state chartered bank that is not a member of the Federal Reserve System contact:</p> <p>Federal Deposit Insurance Corporation Division of Compliance and Consumer Affairs 550 17th Street, NW Washington, DC 20429 202-736-0000 1-877-275-3342 1-800-925-4618(TDD) Email: consumer@fdic.gov Internet: http://www.fdic.gov</p>	<p>If your complaint or question concerns state banks that are member of the Federal Reserve System, contact:</p> <p>Federal Reserve Board Division of Consumer and Community Affairs MS 803 20th and C Streets, NW Washington, DC 20551 202-452-3000 Internet: http://www.federalreserve.gov/</p>
<p>If your questions or complaints concern a nationally-chartered bank (National or N.A. will be part of the name), contact:</p> <p>Office of the Comptroller of the Currency 1301 McKinney Street, Suite 3710 Houston, TX 77010 1-800-613-6743 Email: Customer.Assistance@occ.treas.gov Internet: http://www.occ.treas.gov</p>	<p>If your complaint or question concerns a federal savings and loan (S&L) or federally-chartered savings banks (FSBs), contact:</p> <p>Office of Thrift Supervision Office of Consumer Programs 1700 G Street, NW Washington, DC 20552 1-800-842-6929 Email: consumer.complaint@ots.treas.gov Internet: http://www.ots.treas.gov</p>
<p>If your complaint or question concerns a federally chartered credit union, contact:</p> <p>National Credit Union Administration 1775 Duke Street Alexandria, VA 22314-3428 703-518-6200 Internet: http://www.ncua.gov/</p>	<p>For other questions and complaints, contact :</p> <p>Federal Trade Commission Consumer Response Center 6th and Pennsylvania Avenue, NW Washington, DC 20550 1-877-382-4357 Email: consumerlin@ftc.gov Internet: http://www.ftc.gov</p> <p>The FTC cannot intervene in individual disputes, but the information you provide may indicate a pattern of possible law violations that require action.</p>
<p>For Fair Housing complaints, contact:</p> <p>Department of Housing and Urban Development (HUD) Office of Fair Housing and Equal Opportunity 451 Seventh Street, SW, Room 5100 Washington, DC 20410 1-800-669-9777 Internet: http://www.hud.gov</p>	<p>Complaints against all kinds of creditors can be referred to:</p> <p>Department of Justice Civil Rights Division 950 Pennsylvania Avenue, NW Washington, DC 20530 202-514-2151 Internet: http://www.usdoj.gov/crt</p>

For Further Information

Indiana Department of Financial Institutions

402 West Washington Street

Indianapolis, Indiana 46204-2759

(317) 232-3955

Email: dkaye@dfi.state.in.us

Web Site: <http://www.dfi.state.in.us> Click Consumer Credit and click Credit Information.

Federal Deposit Insurance Corporation (FDIC)

Division of Compliance and Consumer Affairs

550 17th Street, NW

Washington, DC 20429

1-877-275-3342

Email: consumer@fdic.gov

Web Site: <http://www.fdic.gov> The FDIC provides information about the nation's banking system.

www.firstgov.gov

www.workers.gov

www.consumer.gov

These websites provide access to all online U. S. Federal Government resources.

www.pueblo.gsa.gov/cic_text/money/bankbasic/bankbasic.pdf

This is a link to ***Bankruptcy Basics***, Public Information Series, Bankruptcy Division, Administrative Office of the United States Courts, August 1998. This Adobe publication provides general information regarding the different types of bankruptcy cases.

www.consumerworld.org

Consumer World is a public service, which catalogs over 2000 consumer resources.

www.consumersunion.org

Consumers Union is a nonprofit organization that provides information on a variety of consumer issues.

Course Evaluation –Your Rights

Instructor:_____ **Date:**_____

Thank you for your participation in this course. Your responses will help us improve the training for future participants. Please circle the number that shows how much you agree with each statement. Then answer the questions at the bottom of this form. If you have any questions, please feel free to ask your instructor.

	Strongly Disagree	Disagree	Agree	Strongly Agree
1. The course was interesting and kept my attention.	1	2	3	4
2. The examples in the course were clear and helpful.	1	2	3	4
3. The activities in the course helped me understand the information.	1	2	3	4
4. The slides were clear and easy to follow.	1	2	3	4
5. The take-home materials were easy to read and useful to me.	1	2	3	4
6. The instructor presented the information clearly and understandably.	1	2	3	4
7. The information / skill taught in the course is useful to me	1	2	3	4
8. I am confident that I can use the information / skill on my own.	1	2	3	4
9. I am satisfied with what I learned from this course.	1	2	3	4

What was the most helpful part of this course?

What was the least helpful part of this course?

Would you recommend this course to others?

Any comments or suggestions?

What Do You Know –Your Rights

Instructor: _____ Date: _____

This form will allow you and the instructor to see what you know about consumer rights both before and after the class. Read each statement below. Please circle the number that shows how much you agree with each statement.

Before-the-Course After-the-Course

	Before-the-Course				After-the-Course			
	Strongly Disagree	Disagree	Agree	Strongly Agree	Strongly Disagree	Disagree	Agree	Strongly Agree
1. I am familiar with the laws that protect my rights as a banking customer.	1	2	3	4	1	2	3	4
2. I can identify ways to avoid scams.	1	2	3	4	1	2	3	4
3. I can identify ways to protect my identity.	1	2	3	4	1	2	3	4
4. I know how to resolve complaints regarding bank accounts.	1	2	3	4	1	2	3	4

NOTES

NOTES

Brochures

The following are Brochures created by the Indiana Department of Financial Institutions on subjects covered in this course.

FAST FACTS

◆ Electronic banking, also known as electronic fund transfer (EFT), uses computer and electronic technology as a substitute for checks and other paper transactions.

◆ An access device is a means of gaining access to your account, such as a card or a code, for the purpose of initiating EFTs. Most institutions use a personal identification number (PIN) for this purpose.

◆ Take care of your EFT card. Know where it is at all times and report its loss as soon as possible.

◆ Choose a PIN different from your address, telephone number, social security number, or birth date.

◆ Keep and compare your EFT receipts with your periodic statements so that you can find and promptly report errors and unauthorized transfers. Prompt reporting is necessary to limit your liability for these problems

To most of us, electronic banking means having 24-hour access to cash through an automated teller machine (ATM) or having our paychecks deposited directly into our checking or savings accounts. But electronic banking offers several other services that you may find useful.

This brochure lists types of consumer transactions that are covered under the federal Electronic Fund Transfer Act (EFT Act), discusses the information financial institutions must disclose, explains what you can do if you find errors on your monthly statements, discusses your liability if your ATM card is lost or stolen, and describes your limited stop-payment privileges.

ELECTRONIC FUND TRANSFERS

Electronic banking, also known as electronic fund transfer (EFT), uses computer and electronic technology as a substitute for checks and other paper transactions. Because EFTs are so convenient, you may wish to know the full range of their services.

Automated Teller Machines or 24-hour Tellers are electronic terminals that permit you to bank at almost any time of the day or night. To withdraw cash, make deposits, or transfer funds between accounts, you generally insert a special ATM card and enter your personal identification number (PIN).

Direct Deposits or Withdrawals allow you to authorize specific deposits such as paychecks and social security checks to go directly to your account on a regular basis. You also can arrange to have recurring bills, such as insurance premiums and utility bills, paid

automatically. This service applies only if you authorize transactions in advance.

Pay-by-Phone Systems permit you to telephone your bank (or other financial institutions) with instructions to pay certain bills or to transfer funds between accounts. You must have an agreement in advance with the financial institution to make such transfers.

Point-of-Sale Transfers allow you to pay for retail purchases with an EFT (or "debit") card. This is similar to using a credit card, but with one important exception -- the money for the purchase is transferred immediately (or soon thereafter) from your bank account to the store's account. Both MasterCard and Visa, among others, offer debit cards that can be used at participating retailers, and an increasing number of merchants are accepting this type of payment. For example, these transfers are becoming more common at grocery stores, oil companies, and convenience stores. However, because point of sale transfers are still relatively new, they might not yet be widely available at retailers in your region of the country.

DISCLOSURES

The best way to understand your legal rights and responsibilities regarding your EFT account is to read the documents you receive from the financial institution that issued you the "access device." An access device is a card, code, or other means of gaining access to your account for the purpose of initiating electronic fund transfers. The means may vary from institution to institution, but most use a PIN for this purpose. This unique number should be known only to you and to select employees of the financial institution.

Before you contract for EFT services or make your first electronic transfer, the institution is required to disclose to you the following information in a form you can keep.

- ◆ A summary of your liability for unauthorized transfers.
- ◆ The telephone number and address of the person to be notified when you believe that an unauthorized transfer has been or may be made, along with a statement of the institution's "business days." This information will tell you the number of days you have to report suspected unauthorized transfers.
- ◆ The type of transfers you can make, the amount of any charges for transfers, and any limitations on the frequency and dollar amount of transfers.
- ◆ A summary of your right to receive documentation of transfers, of your right to stop payment on a pre-authorized transfer, and the procedures to follow to stop payment.
- ◆ A notice describing the procedures you must follow to report an error on a receipt for an EFT, how to request more information about a transfer listed on your statement, and the time period in which you must make your report.

- ◆ A summary of the institution's liability to you if it fails to make or stop certain transactions.
- ◆ Circumstances under which the institution will disclose information to third parties concerning your account.

In addition to these disclosures, you will receive for most transactions two other types of important papers -- terminal receipts and periodic statements. (Separate rules apply to passbook accounts from which pre-authorized transfers are drawn. Your contract for that account is the best source of information about those rules.) You are entitled to a terminal receipt each time you initiate an electronic transfer, whether you use an ATM or make a point-of-sale electronic transfer. Among other things, the receipt must show the date and the amount of the transfer and the type of the transfer, such as "transfer from savings to checking." When you make a point-of-sale transfer, you probably will get your terminal receipt from the salesperson. If you make a withdrawal from a cash-dispensing machine that cannot issue receipts, the institution is required to mail you a receipt on the next business day following the transfer.

New provisions to the EFTA, effective immediately; compliance mandatory as of October 1, 2001, require ATM operators that impose a fee for providing electronic fund transfer services to post a notice in a prominent and conspicuous location on or at the ATM. The operator must also disclose that a fee will be imposed and the amount of the fee, either on the screen of the machine or on a paper notice, before the consumer is committed to completing the transaction. In addition, when the consumer contracts for an electronic fund transfer service, financial institutions are required to provide initial disclosures, including a notice that a fee may be imposed for electronic fund transfers initiated at an ATM operated by another entity.

You also are entitled to a periodic statement for each statement cycle in which an electronic transfer is made. This statement must show, among other things, the amount of any transfer, the date it was credited or debited to your account, the type of transfer and type of account(s) to or from which funds were transferred, and the address and telephone number to be used for inquiries. You are entitled to a quarterly statement even if you made no electronic transfers within that quarter.

Keep and compare your EFT receipts with your periodic statements each month in the same way you compare your credit card invoices with your monthly credit card statement or your checks against your monthly bank statements. Doing so will enable you to make the best use of your rights under federal law to dispute errors and avoid liability for unauthorized transfers.

ERRORS

You have 60 days from the date a problem or error appears on your periodic statements or terminal receipt to notify your financial institution. The best way to protect yourself in the event of an error (or a lost or stolen ATM or EFT card) is to notify the issuer by certified letter, return receipt requested, so you can prove that the institution received your letter. Keep a copy of the letter you send for your records.

After notification about an error on your statement, the institution has 10 business days to investigate and tell you the results. If the institution needs more time, it may take up to 45 days to complete the investigation -- but only if the money in dispute is returned to your account and you are notified promptly of the credit. At the end of the investigation, if no error is found, the institution may take the money back, if it sends you a written explanation.

If you fail to notify the institution of the error within 60 days, you may have little recourse. Under federal law, the institution has no obligation to conduct an investigation if you have missed the 60-day deadline.

If your failure to notify the institution within the time periods allowed was due to an extenuating circumstance, such as lengthy travel or illness, the issuer must extend the time period for notification to what is reasonable. Also, if state law or your contract imposes lower liability limits, those lower limits apply instead of the limits in the federal EFT Act.

After reporting the loss or theft of your ATM card, you are not liable for additional unauthorized transfers that may be made. Because these unauthorized transfers may appear on your statements, however, you should carefully review each statement you receive after you report the loss or theft. If the statement shows transfers that you did not make or that you need more information about, contact the institution immediately, using the special procedures provided for reporting errors.

LIMITED STOP-PAYMENT PRIVILEGES

When you use an electronic fund transfer, the EFT Act does not give you the right to stop payment. If your purchase is defective or if your order is not delivered, it is up to you to resolve the problem with the seller and get your money back -- just as if you had paid cash.

There is one situation, however, in which you can stop payment. If you have arranged regular payments out of your account to third parties, such as life insurance companies, you can stop payment if you notify your institution at least three business days before the scheduled transfer. The notice may be oral or written, but the institution may require a written follow-up to be made within 14 days of the oral notice. Your failure to provide the written follow-up ends the institution's responsibility to stop payment. This right to stop payment does not

apply to mortgage or loan payments you owe to the institution that issued the EFT access device.

Although federal law provides only limited rights to stop payment, individual financial institutions may offer more rights or state laws may require them. If this feature is important to you, you may want to shop around to be sure you are getting the best "stop payment" terms available.

SUGGESTIONS

If you decide to become an EFT user, remember the following precautions.

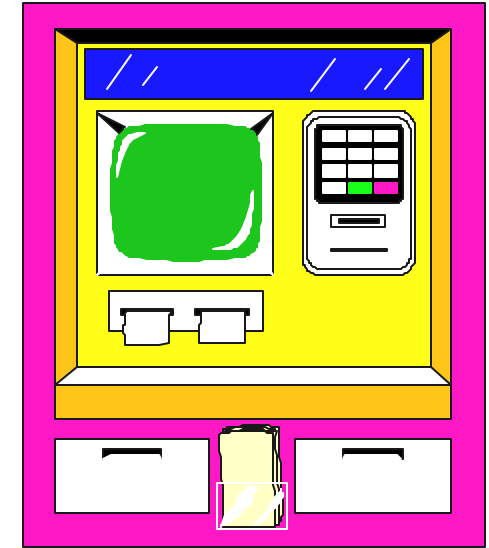
- ◆ Take care of your EFT card. Know where it is at all times and report its loss as soon as possible.

- ◆ Choose a PIN different from your address, telephone number, social security number, or birth date. Choosing a different number will make it more difficult for a thief to use your EFT card.

- ◆ Keep and compare your EFT receipts with your periodic statements so that you can find and promptly report errors and unauthorized transfers.

If you believe the institution that issued your EFT access device has failed to fulfill its responsibilities to you under the EFT Act, in addition to informing the issuer, you may wish to complaint to the federal agency that has enforcement jurisdiction over that issuer

ELECTRONIC BANKING



DEPARTMENT OF FINANCIAL INSTITUTIONS

Consumer Credit Division
402 West Washington Street, Room W066
Indianapolis, Indiana 46204
317-232-3955
1-800-382-4880
Web Site <http://www.dfi.state.in.us>



WHAT IS THE EQUAL CREDIT OPPORTUNITY ACT?

The Equal Credit Opportunity Act (ECOA) is the federal law which, among other things, says that everyone has the right to apply for credit without fear of discrimination on the basis of sex, marital status, race, color, religion, national origin, age, reliance on income from public assistance, or because you may have exercised rights under the Consumer Protection laws.

WHO IS SUBJECT TO ECOA?

All banks, savings and loans, credit unions, finance companies, department stores, credit card issuers, car and appliance dealers, and others who regularly participate in credit decisions must comply with the ECOA.

When you Borrow...

The ECOA does not entitle you to credit whenever you want it. You must still pass the creditor's test which indicates your ability and willingness to repay debt.

What the ECOA does say is that a creditor must apply these tests without discrimination and should not discourage you from applying for credit on the basis of the prohibited factors.

Usually, you may not be asked for your sex, race, color, religion, or national origin when the creditor takes your application. However, the creditor must ask about these characteristics in applications for residential real estate credit, although you are not required to answer. The idea is to build a history of facts that will help enforce the law against discrimination in mortgage loans. The information cannot be used in evaluating your application.

Married, Unmarried, Separated...

On an application for separate credit, a creditor may not ask about your marital status except when the credit is to be secured by property in which your spouse has a legal interest. The creditor may then use only the terms "married," "unmarried," or "separated."

If you are a married woman, you may use your birth-given first and surnames in applying for credit.

In the case of a couple, either member may get separate credit provided he or she is creditworthy. When this happens, finance charges and loan ceilings are to be determined individually, not on the combined credit outstanding.

Information about your spouse may be requested and used only when .

- * your spouse will be permitted to use the credit;
- * your spouse will be liable for repayment;
- * your spouse's income or alimony, support, or maintenance payments will be relied on for repayment; or
- * your spouse has a legal interest in property involved.

A creditor may not ask about a women's birth control practices or childbearing capabilities or intentions. A creditor may not assume because of a woman's age that she may stop work to have a baby.

Income. . . .

A creditor may ask and consider to what extent your income is affected by obligations to pay alimony, child support, or maintenance.

A creditor may ask to what extent you are relying on alimony, child support, or maintenance to repay credit provided the creditor first informs you that it is not necessary to list such income if you won't use it to make repayment.

A creditor must consider part-time or public assistance income in an evaluation, but the creditor may look into the probability that this income will continue.

Changed Circumstances. . .

A creditor may not require you to reapply, alter the terms, or terminate an open-end account solely because:

- * you change your name
- * change your marital status
- * reach a certain age, or
- * retire.

Credit Reporting . . .

When a creditor reports to credit bureaus the report must identify any accounts used by both spouses or on which both are liable. This is so that a credit history can be prepared for each spouse individually.

Age . . .

A creditor may ask your age to be sure you have reached the legal age to enter into contracts.

A creditor who uses a credit-scoring system may include your age if you are 62 or over only to favor your score and the system used must meet specific standards of reliability.

A creditor who relies on judgment to evaluate your application may consider age to determine how long you probably will continue to work and at what level of income.

A creditor may not refuse or terminate credit when credit insurance is not available because of your age.

APPROVED OR DENIED

Within 30 days after your application is completed, the creditor must notify you whether or not it has been approved.

If your application is denied, the creditor must give you, in writing:

- * a statement of the action that has been taken;
- * a statement of your rights under the ECOA;
- * the name and address of the Federal agency enforcing compliance; and
- * the reason for the action that has been taken or notice of your right to request the reason within 60 days. If you want the reason in writing, your request must be in writing.

SPECIAL PURPOSE CREDIT

It is not a violation of the ECOA if a creditor refuses to extend credit to you solely because you don't qualify for a special program designed to meet the needs of a particular group.

ERRORS

A creditor has not committed a violation if clearly the creditor has established and is maintaining suitable procedures but fails to comply with a provision of the ECOA because of a mechanical, electronic, or clerical error.

CONSUMER REMEDIES

If you have questions about the creditor's compliance with the ECOA, get in touch with the Federal agency whose name has been given to you by the creditor.

If you think you have been discriminated against under the ECOA, you may file suit in court against the creditor, who can be held liable for actual damages you have suffered and for punitive damages up to \$10,000.

The Federal Trade Commission- <http://www.ftc.gov> - enforces the federal credit law given in this brochure and provides consumers with free information.

The Indiana Department of Financial Institutions, Division of Consumer Credit has many other credit related brochures available, such as:

Answers to Credit Problems
Applying for Credit
At Home Shopping Rights
Bankruptcy Facts
Buried in Debt
Car Financing Scams
Charge Card Fraud
Choosing A Credit Card
Co-Signing
Credit and Divorce
Credit and Older Consumers
Deep in Debt?
Equal Credit Opportunity and Women
Fair Credit Reporting
Fair Debt Collection
Gold Cards
Hang up on Fraud
High Rate Mortgages
Home Equity Credit Lines
How to Avoid Bankruptcy
Indiana Uniform Consumer Credit Code
Look Before you Lease
Mortgage Loans
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Using Credit Cards
Variable Rate Credit
What is a Budget?
What is the DFI?

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EQUAL CREDIT OPPORTUNITY



DEPARTMENT OF FINANCIAL INSTITUTIONS

Consumer Credit Division
402 West Washington Street, Room W066
Indianapolis, Indiana 46204
317-232-3955
1-800-382-4880
Web Site <http://www.dfi.state.in.us>



You and your husband apply for a loan. The application is denied because of "insufficient income." You think this means that your salary was not counted. **What do you do?**

You are single and want to buy a home. The bank turns you down for a mortgage loan, even though you feel sure that you meet its standards. **What do you do?** You may have a complaint under the Equal Credit Opportunity Act.

What is the Equal Credit Opportunity Act?

The Equal Credit Opportunity Act (ECOA) is the federal law which, among other things, says that everyone has the right to apply for credit without fear of discrimination on the basis of sex, marital status, race, color, religion, national origin, age, reliance on income from public assistance, or because you may have exercised rights under the Consumer Protection laws.

Who is Subject to ECOA?

All banks, savings and loans, credit unions, finance companies, department stores, credit card issuers, car and appliance dealers, and others who regularly participate in credit decisions must comply with the ECOA.

What is Creditworthiness....

Creditors choose various criteria to rate you as a credit risk. They may ask about your finances; how much you earn, what kinds of savings and investments you have, what your other sources of income are. They may look for signs of reliability; your occupation, how long you've been employed, how long you've lived at the same address, whether you own or rent your home.

They may also examine your credit record: how much you owe, how often you've borrowed, and how you've managed past debts.

The creditor wants to be assured of two things: your ability to repay the debt and your willingness to do so. The ECOA does not change this standard of creditworthiness.

Applying for Credit..

A creditor may not discourage you from applying for credit just because you are a woman, or single, or married. When you fill out a credit application you know that there are only certain questions a creditor may ask about your sex or marital status.

You may not be asked your sex on a credit application unless you are buying or refinancing a home. Just because you are a woman, a creditor may not turn you down.

You do not have to choose a courtesy title (Miss, Ms., Mrs.) on a credit form.

A creditor may not request your marital status on an application for an individual, unsecured account where no community property is involved.

Rating You as a Credit Risk..

To make sure that your application is treated fairly, there are certain other things that a creditor may not do in deciding whether you are creditworthy.

Specifically, a creditor may not:

- ◆ refuse to consider your income because you are a married woman, even if your income is from part-time employment;

- ◆ ask about your birth control practices or your plans to have children. A creditor may not assume that you will have children or that your income will be interrupted to do so;

- ◆ refuse to consider reliable alimony, child support, or separate maintenance payments. However, you don't have to disclose such income unless you want to in order to improve your chances of getting credit.

- ◆ consider whether you have a telephone listing in your own name, because this would discriminate against married women;

- ◆ consider your sex as a factor in deciding whether you are a good credit risk; and

- ◆ use your marital status to discriminate against you.

A creditor may not refuse to grant you an individual account just because of your sex or marital status.

The law says that a woman has a right to her own credit if she is creditworthy. If you are getting married, remember that you can keep your own credit accounts and credit record.

See our Brochure on Equal Credit Opportunity.

For More Information

The Federal Trade Commission enforces the federal credit law given in this brochure and provides consumers with free information. For brochures, write to: Public Reference, Federal Trade Commission, Washington, D.C. 20580, <http://www.ftc.gov>.

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- Car Financing Scams
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- Choosing A Credit Card
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EQUAL CREDIT OPPORTUNITY AND WOMEN



DEPARTMENT OF FINANCIAL INSTITUTIONS

Consumer Credit Division
402 West Washington Street, Room W066
Indianapolis, Indiana 46204
317-232-3955
1-800-382-4880
Web Site <http://www.dfi.state.in.us>



The **Fair Debt Collection Practices Act** is a federal statute that curtails unfair, abusive, or outrageous practices and tactics by collection agencies.

WHAT DEBTS ARE COVERED?

Personal, family, and household debts are covered under the Act. This includes money owed for the purchase of an automobile, for medical care, or for charge accounts.

WHO IS A DEBT COLLECTOR?

A debt collector is any person, other than the creditor, who regularly collects debts owed to others.

A creditor who, collecting from his/her own debtors, uses a name other than his/her own.

An attorney who collects debts on a regular basis.

Not all debt collectors are subject to the Act. **It does not apply to banks, other lenders, or businesses that collect their own accounts using their own names, nor does it cover them when they collect an isolated debt for another.**

HOW MAY A DEBT COLLECTOR CONTACT YOU?

A debt collector may contact you in person, by mail, telephone, telegram, or FAX.

A collector may **NOT** contact a debtor:

- before 8 a.m. or after 9 p.m.;
- at inconvenient or unreasonable places;
- at a place of employment if it is known the employer prohibits such contact;
- if an attorney is known to represent the debtor, the attorney should be contacted instead.

CAN YOU STOP A DEBT COLLECTOR FROM CONTACTING YOU?

You may stop a collector from contacting you by writing a letter to the collection agency telling them to cease all communications with you and that you will deal with the

creditor directly. The letter should be sent by certified mail with a return receipt requested. Remember to keep a copy of the letter.

Once the agency receives your letter, they may not contact you again except to say there will be no further contact. Another exception is that the agency may notify you if the debt collector or the creditor intends to take some specific action. Ceasing contact does not preclude a lawsuit.

MAY A DEBT COLLECTOR CONTACT ANY OTHER PERSON CONCERNING YOUR DEBT?

A debt collector may contact a person other than the debtor only to discover or verify the debtor's location. The collector must:

identify himself, but he must identify his employer only if expressly requested to do so;

not reveal the consumer's indebtedness to anyone other than the debtor or his/her attorney;

not use a post card or in any way reveal debt collection activity.

VALIDATING THE DEBT

Within five days after contacting a debtor about paying a debt, the collector must send a written notice that includes:

the name of the creditor and the amount of debt;

that the debt will be assumed to be valid unless disputed within 30 days; if disputed, the collector will verify it and send a copy of the verification or of a judgment against the consumer.

During a period when a debt is being verified, the collector may not attempt to obtain payment.

DEBT COLLECTION PRACTICES THAT ARE PROHIBITED

Harassment... Debt collectors may not harass, oppress, or abuse any person; **they may not:**

- ◆ use threats of violence or harm against the person, property, or reputation;

- ◆ publish a list of consumers who refuse to pay their debts, except to a credit bureau or advertise the debt;

- ◆ use obscene or profane language;

- ◆ repeatedly use the telephone to annoy someone;

- ◆ telephone people without identifying themselves.

False statements... Debt collectors may not use any false statements when collecting a debt; they may not:

- ◆ use false, deceptive or misleading representations as to their identity, such as falsely implying they are attorneys or government representatives;

- ◆ falsely imply that you have committed a crime or state that you will be arrested if you do not pay your debt;

- ◆ misrepresent the amount of your debt;

- ◆ misrepresent the involvement of an attorney in collecting a debt;

- ◆ indicate that papers being sent to you are legal forms when they are not or indicate that papers being sent to you are not legal forms when they are;

- ◆ state that they will seize, garnish, attach, or sell your property or wages unless they or the creditor intends to do so and it is legal to do so;

- ◆ give false credit information about you to anyone.

Unfair Practices... Debt collectors may not engage in unfair practices such as:

- ◆ collect any amount greater than your debt, unless allowed by law;

- ◆ make you accept collect calls or pay for telegrams;

- ◆ deposit a post-dated check prematurely.

If you are in Indiana and have a complaint against a Collection Agency, contact:

Collection Agency Division, Secretary of State
Indianapolis, IN 46204
800-223-8791, 317-232-6684.

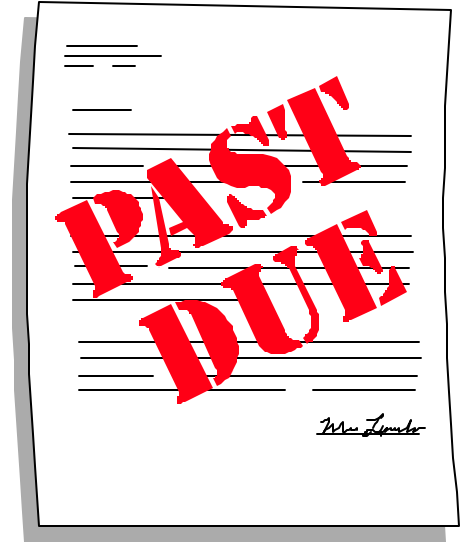
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FAIR DEBT COLLECTION



DEPARTMENT OF FINANCIAL INSTITUTIONS

Consumer Credit Division
402 West Washington Street, Room W066
Indianapolis, Indiana 46204
317-232-3955
1-800-382-4880
Web Site <http://www.dfi.state.in.us>



Fast Facts

- ◆ The Consumer Leasing Act requires leasing companies to tell you the facts about the cost and terms of their contract.
- ◆ The Act applies to personal property leased by an individual for a period of more than four months for personal, family, or household use.
- ◆ In an open end lease you run the risk of owing extra money (a "balloon payment") depending on the value of the property when you return it.
- ◆ In a closed end lease, you are not responsible for the value of the property when you return it and will not have to make a balloon payment.
- ◆ If you decide to lease, compare the costs and advantages of open end and closed end leases.

Are you wondering whether leasing your next car would be a good idea? OR Would you rather lease than buy furniture for an apartment you'll use for only a year?

When leasing looks like a good option, there's a federal law that will help you shop for the best deal. The Consumer Leasing Act requires leasing companies to tell you the facts about the cost and terms of their contracts. You can use the information to compare one lease with another or to compare the cost of leasing with the cost of buying the same property. The law also limits any extra payment you may have to make at the end of a lease and regulates lease advertising. This brochure describes the Consumer Leasing Act and the regulation issued by the Federal Reserve Board to carry it out.

WHAT LEASES ARE COVERED?

The law applies to personal property leased by an individual for a period of more than four months for personal, family, or household use. It covers long-term rentals of cars, furniture, appliances, and other personal property.

The law does **not** cover:

- ◆ daily car rentals or month-to-month rentals that you can cancel without penalty at the end of the month;
- ◆ leases for apartments or houses -- or furniture that comes with a rented apartment;

- ◆ property leased to companies or to individuals for business use; and
- ◆ rent-to-own agreements.

WHAT ABOUT COSTS?

Before you agree to a lease, the law requires that you get a written statement of its costs, including:

- ◆ the amount of any advance payment, such as a security deposit;
- ◆ the number, the amount, and the dates your regular payments are due, as well as the total amount of those payments; and
- ◆ the amount you must pay for license, registration, taxes, and for any other fees, such as maintenance.

WHAT ABOUT TERMS OF THE LEASE?

You must also be told certain terms of the lease, including:

- ◆ what kind of insurance you need;
- ◆ any express warranty on the property;
- ◆ who is responsible for maintaining and servicing the property, and any standards for wear and tear set by the leasing company (which must be reasonable);
- ◆ any penalty for default or late payment;
- ◆ how you or the leasing company may cancel the lease and the charges for doing so; and
- ◆ whether or not you can buy the property and, if you can, when and at what price.

WHAT ARE OPEN END LEASES AND BALLOON PAYMENTS?

One decision that will affect leasing costs and terms is whether you choose an "open end" (or "finance") or "closed end" lease. In an open end lease, you run the risk of owing extra money depending on the value of the property when you return it. This payment is often called a "balloon payment." For example, when you sign a three-year open end car lease, the leasing company may estimate that the car will be worth \$4,000 after three years of normal use. If the car is worth only \$3,300 when you return it, you may have to pay a \$700 balloon payment.

In a closed end lease, you are not responsible for the value of the property when you return it and will not have to make a

balloon payment. As a result, closed end leases usually have higher monthly payments than open end leases.

You should know that in an **open end lease**:

The leasing company must tell you that you may have a balloon payment and how it is calculated.

At the end of the lease you have the right to obtain an estimate of the property's worth from an independent appraiser. Both parties must abide by the estimate.

Limits on Balloon Payments. You should also know that the law limits a balloon payment in an open end lease to no more than three times the average monthly payment -- unless you agree to make a higher payment or you have used the property more than average (for example, if you put more than average mileage on a car). The leasing company may also seek a larger payment by going to court. If it goes to court, the company has the burden of proving that its original estimate of the value of the property, although wrong, was reasonable and made in good faith. The company must pay your attorney's fees in such a lawsuit, whether or not it wins.

WHAT ABOUT ADVERTISING?

The law also regulates the advertising of leases. If a leasing company advertises the amount or number of payments or that any or no downpayment is required, it must also mention several other important terms, including the total of regular payments, your responsibilities at the end of the lease, and whether or not you may purchase the property. This is to make sure you receive enough information from the advertisement to understand the offer and to compare it with others.

WHAT ARE THE PENALTIES?

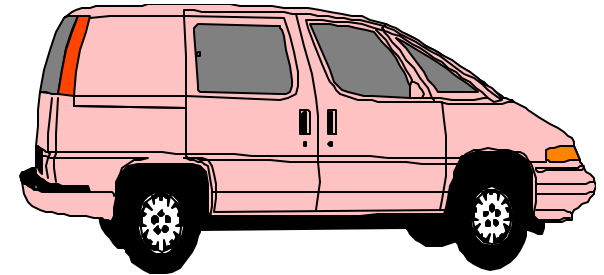
You as an individual may sue a leasing company if it fails to give you the required information or does so improperly. You may sue for 25 percent of the total of the monthly payments plus any actual damages (but not less than \$100 or more than \$1000). If an advertisement violates the law, you may sue the leasing company for your actual damages. In any successful lawsuit, you are also entitled to court costs and reasonable attorney's fees. You must file your suit within one year of the termination of the lease agreement. The law also provides criminal penalties for intentional violators.

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TRUTH IN LEASING



DEPARTMENT OF FINANCIAL INSTITUTIONS

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Web Site <http://www.dfi.state.in.us>



Once your application for a mortgage loan has been approved and you have received a commitment letter, the final step before you can call the house your own is the closing, or settlement, of the purchase transaction and mortgage loan. Even though you have signed a purchase agreement and your loan request has been approved, you have no rights to the property, including access, until the legal title to the property is transferred to you and the loan is closed. You should have a good understanding of what is involved in the closing process, because there are a number of things that you can do to make sure that it goes smoothly and on time.

At closing, you will sign the mortgage loan documents, the seller will execute the deed to the property, funds will be collected and disbursed, and the closing agent will record the necessary instruments to give you legal ownership of the property. Settlement of a mortgage loan is a legal process, so specific procedures and requirements will vary according to state and local laws, but a general description of closing practices can help you through the process.

Between Commitment and Closing

As soon as you receive firm approval, you should confirm the actual date of the loan closing. An estimated closing date was probably specified in the sale contract, but a firm date needs to be set by you, the seller of the property and your lender. You will want to make sure that settlement will take place before your loan commitment expires and before any rate lock agreement (guaranteed terms of the loan) expires.

The settlement date also has to allow adequate time to assemble all of the required documentation. If repairs or maintenance on the property are a part of the lender's commitment, there must be time to complete them. The real estate agents involved in the sale transaction and the lender are often the best people to coordinate the closing arrangements. Most lenders require at least three to five days advance notice of the closing date in order to prepare the loan documents and get them to the closing agent.

There are standard documents and exhibits that are commonly required for a loan closing, regardless of jurisdiction. Some of these will be your responsibility and others will be the responsibility of the seller. The following documents are typically required for closing.

Title Insurance Policy

Every lender will require title insurance. The company issuing the title insurance policy will have researched legal records to make sure that you are receiving clear title, or ownership, to the

property. Their title search has established that the seller of the property is the legal owner, and that there are no claims, or liens, against the property. The title company offers both a lender's policy and an owner's policy. You will have to pay for a lender's policy, and it is advisable for you to have an owner's policy as well. For a small additional premium, it will protect you up to the full value of the property if fraud, a lien, or faulty title is discovered after closing.

Homeowner's Insurance

The lender will require you to have homeowners insurance on the property at least in the amount of the replacement cost of the property. You should make sure the policy covers the value of the property and contents in the event they are destroyed by fire or storm. You must pay for the policy and have it at the closing. You are free to select the insurance carrier, but the lender will require the company to meet rating standards and be rated by a recognized insurance rating agency.

Termite Inspection and Certification

In many areas, the property must be inspected for termites, and the inspection is required in the purchase contract. In some parts of the country, this may be called a "wood infestation" report. The report is required on all FHA and VA loans and many conventional loans.

Survey or Plot Plan

Your lender may require a survey of the property, showing the property boundaries, the location of the improvements, any easements for utilities or street right-of-way, and any encroachments on the boundaries by fences or buildings. Encroachments can be minor, such as a fence, or may be serious and have to be corrected before closing. In some areas, an addendum to the title policy eliminates the need for a survey.

Water and Sewer Certification

If the property is not served by public water and sewer facilities, you will need local government certification of the private water source and sanitary sewer facility. Properties with well and septic water sources are usually governed by county codes and standards.

Flood Insurance

If the lender or the appraiser determines that the property is located within a defined flood plain, you will want, and the lender will require, a flood insurance policy. The policy must remain in force for the life of the loan.

Certificate Of Occupancy Or Building Code Compliance Letter

If your home is new construction, you will have to have a Certificate of Occupancy, usually from the city or county, before you can close the loan and move in. The builder will obtain the certificate from the appropriate authority. Many local governments require an inspection when a home is sold to see if the property conforms to local building codes. Code violations may require repairs or replacement of structural or mechanical elements. The responsibility for ordering the inspection and paying for any required repairs should be spelled out in the purchase contract.

Other Documentation

Additional documentation required for closing will be set out in the commitment letter from the lender and will depend upon terms of the sale, peculiarities of the property, and local ordinances and custom. Examples would include private road maintenance agreements if the street in front of your property is not maintained by a municipality, or proof of sale of your previous home if that was a condition of approval of your loan. Within 24 hours prior to the actual closing, you and your real estate agent should make a final inspection of the property to make sure any required repairs have been completed, all property described in the sale contract, such as kitchen appliances, carpeting and draperies are present, and that no recent fire or storm damage has occurred. In most cases, the lender will make a similar inspection before closing.

The Loan Closing

The actual loan closing procedure, including who conducts the closing and who is present, depends upon local law and custom and lender practices. Some states require that you be represented by an attorney, but others do not. Even if it is not required by law, you may want to have an attorney review the closing documents.

Some lenders will close the loan in their offices, some will use title or escrow companies and some will send their instructions and documents to their attorney or yours to conduct the closing. As soon as you receive your commitment letter from the lender, you should determine who is responsible for closing arrangements.

The actual closing is conducted by a closing agent who may be an employee of the lender or the title company, or it may be an attorney representing you or the lender. The lender and seller, or their representatives, and the real estate agents may or may not

be at the actual closing. It is not unusual for the parties to the transaction to complete their roles without ever meeting face to face.

The closing agent will have received instructions from the lender on how the loan is to be documented and the funds disbursed, and will have collected all of the necessary exhibits from you, the seller, and the lender. The closing agent will make sure that all necessary papers are signed and recorded, and that funds are properly disbursed and accounted for when the closing is completed.

You typically need to come to the closing with a certified check for the closing costs, including the balance of the down payment. You can get the exact figure a day or two prior to the closing from the lender or the closing agent. You should also bring the homeowners insurance policy and proof of payment, if it has not been delivered earlier.

For the most part, your role at closing is to review and sign the numerous documents associated with a mortgage loan. The closing agent should explain the nature and purpose of each one and give you and/or your attorney an opportunity to check them before signing. A brief description of the major documents may help you understand their purpose and significance.

Settlement Statement HUD-1 Form

This form is required by Federal law and is prepared by the closing agent. It provides the details of the sale transaction including the sale price, amount of financing, loan fees and charges, portion of real estate taxes, amounts due to and from buyer and seller, and funds due to third parties such as the selling real estate agent. It must be signed by both buyer and seller and becomes a part of the lender's permanent loan file.

Some of your charges on the HUD-1 may have already been paid, such as credit report and appraisal fees. They will be noted as P.O.C. (paid outside the closing.) You will usually be charged interest on the loan from the date of settlement until the first day of the next month, and your first payment will be due on the first day of the following month. Make sure you know exactly when your first and subsequent payments are due, and what the penalties are for being late.

If your loan is greater than 80 percent of the value of the property, you will probably have to pay for mortgage insurance that protects the lender in case you default. One year's premium will usually run between .5 percent to .75 percent of the loan amount.

In addition to your monthly payments on the loan, most lenders will require you to maintain an "escrow" or "impound" account for real estate taxes and insurance. Current law permits a lender to collect 1/6th (two months) of the estimated annual real estate taxes and insurance payments at closing. Additionally, real estate taxes for the current year will be prorated between you and the seller and paid at closing. After closing, you will remit 1/12 of the annual amount with each monthly payment. Tax and insurance bills should be sent to the lender who will pay them out of the escrow funds collected.

Truth-in-Lending Statement

This form is also required by Federal law. You were given an initial TIL shortly after you completed the loan application. If no changes have taken place since that time, the lender need not provide one at closing. If, however there are significant charges, you must receive a corrected TIL no later than the time of the settlement.

The Mortgage Note

The mortgage note is legal evidence of your indebtedness and your formal promise to repay the debt. It sets out the amount and terms of the loan, and also recites the penalties and steps the lender can take if you fail to make your payments on time.

The Mortgage or Deed of Trust

This is the "security instrument" which gives the lender a claim against your house if you fail to live up to the terms of the mortgage note. It recites the legal rights and obligations of both you and the lender, and gives the lender the right to take the property by foreclosure if you default on the loan. The mortgage or deed of trust will be recorded, providing public notice of the lender's claim (lien) on the property.

Miscellaneous Documents

There will be a number of documents or affidavits that you will be asked to sign at the closing. Some are lender requirements (e.g., a statement that you intend to occupy the property as your primary residence), or are required by state or Federal law. These instruments should not be taken lightly. Some provide for criminal penalties for false information, and some may give the lender the right to "call" your loan, which means the entire loan amount becomes immediately due and payable. When everything has been signed and the closing agent is satisfied that all of the instructions for closing have been complied with in full, you become the owner and are given the keys to the property.

Mortgage Loan Closing



DEPARTMENT OF FINANCIAL INSTITUTIONS

Consumer Credit Division
402 West Washington Street, Room W066
Indianapolis, Indiana 46204
317-232-3955
1-800-382-4880
Web Site <http://www.dfi.state.in.us>



Beware of advertisements for "advance-fee" or "guaranteed" consumer and small business loans. They are against the law. This brochure tells you how to recognize ads for advance-fee loan scams, how to tell them from legitimate offers by credit grantors, what to do if you are a victim, and where you can find low-cost help in dealing with credit problems.

- Do not confuse advance-fee loan schemes with legitimate offers of credit from loan companies, mortgage brokers, banks, savings and loans, and credit unions. Legitimate credit grantors may charge fees to process your loan application, but they will not guarantee you will qualify for a loan.
- Be wary of ads claiming that bad credit is no problem in getting you a loan.
- Be careful about making any loan agreements over the phone.
- Do not give your credit card, checking account, or Social Security numbers over the phone unless you are familiar with the company.

RECOGNIZING AN ADVANCE-FEE LOAN SCAM

The vast majority of legitimate lenders are owned and managed by professionals. But fraudulent loan brokers and other individuals misrepresenting the availability of credit and credit terms definitely are in business. One of their favorite strategies is the "advance-fee" loan scam. That's where you are guaranteed to get a loan or other type of credit — but you must pay before you apply.

Advertisements that promise loans generally appear in the classified section of local and national newspapers and magazines. They also may appear in mailings, radio spots, and on local cable stations. Often, these ads feature "900" numbers, which result in charges on your phone bill, or toll-free "800" numbers. Unfortunately, advertising in recognized media outlets does not guarantee the legitimacy of the company behind the ad. In addition, these companies often use delivery systems other than the U.S. Postal Service, such as overnight or courier services, to avoid detection and prosecution by postal authorities.

Some companies claim they can guarantee you a loan for a fee paid in advance. The fee may range from \$100 to several hundred dollars. Indeed, small businesses have been charged as much as several thousand dollars as an advance fee for a loan. Whether you are an individual consumer or an owner of a small business, the result is the same: you don't get your money; the con artist does. And once con artists get your money, they disappear.

Don't confuse a legitimate pre-approved credit offer with a legitimate pre-qualified offer from mortgage brokers, banks, savings and loans, and credit unions. A pre-approved offer requires only your verbal or written acceptance. A pre-qualified offer means you've been selected to apply. However, you still must go through the normal application process, and you still can be turned down.

If someone guarantees — or states — there's a strong chance they can arrange to get you a loan or other form of credit, be suspicious. And if you're asked to pay before you receive the loan or credit offer, hang up. It's against the law.

PROTECTING YOURSELF

According to the Federal Trade Commission's (FTC) Telemarketing Sales Rule, if someone guarantees or suggests that there is a strong chance they can get or arrange for a loan or other form of credit for you, they cannot ask you to pay — or accept payment — for their service until you get your loan or credit.

Here are some points to keep in mind before you respond to ads that promise easy credit, regardless of your credit history:

- Legitimate lenders never "guarantee" or say that you are likely to get a loan or a credit card before you apply, especially if you have bad credit, no credit, or a bankruptcy.
- If you apply for a real estate loan, it is accepted and common practice for lenders to request payment for a credit report or appraisal. However, legitimate lenders never ask you to pay for processing your application.
- Never give your credit card account number, bank account information, or Social Security Number over the telephone unless you are familiar with the company and know why the information is necessary.

- If you don't have the offer in hand — or confirmed in writing — and you are asked to pay, hang up. It's fraud and it's against the law.

WHAT TO DO IF YOU ARE A VICTIM

If you think you've been a victim of an advance-fee loan scam, contact your local consumer protection agency, Better Business Bureau (BBB), state Attorney General, or Call for Action (202-537-0585; TDD: 202-537-1551) to report the company.

You can file a complaint with the FTC by contacting the Consumer Response Center by phone: 202-FTC-HELP (382-4357); TDD: 202-326-2502; by mail: Consumer Response Center, Federal Trade Commission, 600 Pennsylvania Ave, NW, Washington, DC 20580; or through the Internet, using the online complaint form. Although the Commission cannot resolve individual problems for consumers, it can act against a company if it sees a pattern of possible law violations.

FINDING LOW-COST HELP FOR CREDIT PROBLEMS

First, try to solve your debt problems with your creditors as soon as you realize you won't be able to make your payments. If you can't resolve your credit problems yourself or need additional assistance, you may want to contact a credit counseling service. There are nonprofit organizations in every state that counsel indebted consumers. Counselors try to arrange repayment plans that are acceptable to you and your creditors. They also will help you set up a realistic budget. These services are offered at little or no cost.

Check the White Pages of your telephone directory to get the number of the consumer credit counselor office nearest you or call 1-800-388-2227 using a touch-tone phone. If you have other questions, write or call: National Foundation for Consumer Credit, 8611 Second Avenue, Suite 100, Silver Spring, MD 20910, (301) 589-5001.

Universities, military bases, credit unions, and housing authorities also may offer low- or no-cost credit counseling programs. Check the white pages of your telephone directory for a service near you.

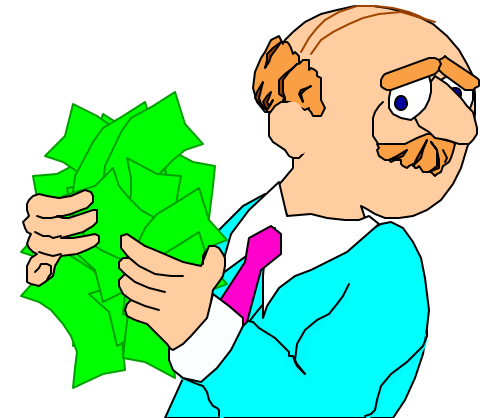
The Indiana Department of Financial Institutions, Division of Consumer Credit has many other credit related brochures available, such as:

- Answers to Credit Problems
- Applying for Credit
- At Home Shopping Rights
- Bankruptcy Facts
- Buried in Debt
- Car Financing Scams
- Charge Card Fraud
- Choosing A Credit Card
- Co-Signing
- Credit and Divorce
- Credit and Older Consumers
- Deep in Debt?
- Equal Credit Opportunity
- Fair Credit Reporting
- Fair Debt Collection
- Gold Cards
- Hang up on Fraud
- High Rate Mortgages
- Home Equity Credit Lines
- How to Avoid Bankruptcy
- Indiana Uniform Consumer Credit Code
- Look Before you Lease
- Mortgage Loans
- Repossession
- Reverse Mortgage Loans
- Rule of 78s – What is it?
- Scoring for Credit
- Shopping for Credit
- Using Credit Cards
- Variable Rate Credit
- What is a Budget?
- What is the DFI?

Call our toll-free number or write to the address on the cover for a copy of any of the brochures listed or for further consumer credit information. You can also access information at our web site on the Internet: <http://www.dfi.state.in.us>, then click on Consumer Credit.



ADVANCE-FEE LOAN SCAMS



DEPARTMENT OF FINANCIAL INSTITUTIONS

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Fast Facts

- ◆ Some auto dealers claim that you can save money by financing a car rather than paying cash.
- ◆ You may be shown a computer printout that compares financing at one rate and investing the cash not spent in a certificate of deposit (CD) at a lower rate.
- ◆ The comparison leaves out a crucial point when you pay cash, you have no monthly payments.
- ◆ Paying interest on a loan always costs more unless you can invest your cash at an interest rate higher than the loan rate.
- ◆ There may be good reasons to finance rather than pay cash, saving money usually isn't one of them.

When buying a car, don't be misled by cost comparisons between financing and paying cash. Many car dealers now use fancy computer printouts to show that financing a car is a better deal than paying cash for it.

Beware.... The numbers may look good, but the bottom line isn't. Although there may be good reasons to finance a car or other expensive items, it's not usually because it saves money.

Be skeptical, then, if an auto dealer claims that financing costs you less than paying cash. Information telling the whole story may be missing.

HOW MUCH WILL IT COST?

The Federal Trade Commission (FTC) has taken action against a company that distributed computer software used to misrepresent the "savings" of financing versus paying cash for a car. Many auto dealerships across the country may be using similar software.

The computerized cost comparison seems to "prove" you can save money by financing at one rate and investing the cash not spent in a certificate of deposit (CD) at a lower rate.

But can you really come out ahead by borrowing at one rate and investing at a lower rate? **No!** This comparison leaves out a crucial point.

When you pay cash, you have no monthly payments to make. If each month you invest an amount equal to the car payment, the total you accumulate will be more than the value of the CD described above.

In the end, paying interest on a loan always costs you more unless you can invest your cash at an interest rate higher than the loan rate.

WHY FINANCE YOUR CAR OR OTHER PURCHASES?

You may, however, find it advantageous to finance your car. Many car buyers prefer taking out loans to paying cash for any of the following reasons.

- ◆ You may need your cash for other purposes, such as paying for other products or services, maintaining a better cash flow, or building a "cash cushion" for such things as emergencies or college tuition.

- ◆ You may be able to buy a more expensive car by using financing.
- ◆ Under some circumstances, if you finance a car that develops serious problems, you may not have to continue making payments.
- ◆ Some people would rather have to make monthly payments than use their own money because they would be lax in paying themselves back.

Be aware, however, that car salesmen may be earning commissions when they convince you to finance a car through their dealership.

When a dealer assigns a contract to a bank or finance company, that creditor often gives the dealer a portion of the finance charge called a "dealer reserve." You may be able to get a lower interest rate if you secure your own financing through your local bank or credit union.

THINK CAREFULLY ABOUT ANY CLAIMS THAT FINANCING A CAR CAN SAVE YOU MONEY.



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- Applying for Credit
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- Charge Card Fraud
- Choosing A Credit Card
- Co-Signing
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- Credit and Older Consumers
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- Equal Credit Opportunity
- Fair Credit Reporting
- Fair Debt Collection
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CAR FINANCING SCAMS



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CREDIT REPAIR - Help Yourself

You see the advertisements in newspapers, on TV, and on the Internet. You hear them on the radio. You get fliers in the mail. You may even get calls from telemarketers offering credit repair services. They all make the same claims: "Credit problems? No problem!"

"We can erase your bad credit -- 100% guaranteed."

"Create a new credit identity-- legally."

"We can remove bankruptcies, judgments, liens, and bad loans from your credit file forever!"

Do yourself a favor and save some money, too. Don't believe these statements. Only time, a conscious effort, and a personal debt repayment plan will improve your credit report.

The following explains how you can improve your credit worthiness and lists legitimate resources for low or no-cost help.

CREDIT REPAIR COMPANIES

Everyday, companies nationwide appeal to consumers with poor credit histories. They promise, for a fee, to clean up your credit report so you can get a car loan, a home mortgage, insurance, or even a job. The truth is, they can't deliver. After you pay them hundreds or thousands of dollars in up-front fees, these companies do nothing to improve your credit report; many simply vanish with your money.

The Warning Signs...

If you decide to respond to a credit repair offer, beware of companies that:

- ▶ Want you to pay for credit repair services before any services are provided;
- ▶ Do not tell you your legal rights and what you can do -- yourself -- for free;
- ▶ Recommend that you not contact a credit bureau directly; or
- ▶ Advise you to dispute all information in your credit report or take any action that seems illegal, such as creating a new credit identity. If you follow illegal advice and commit fraud, you may be subject to prosecution.

You could be charged and prosecuted for mail or wire fraud if you use the mail or telephone to apply for credit and provide false information. It's a federal crime to make false statements on a loan or credit application, to misrepresent your Social Security Number, and to obtain an Employer Identification Number from the Internal Revenue Service under false pretenses.

Thanks to the new Telemarketing Sales Rule, it's also a crime for telemarketers who offer credit repair services to require you to pay until six months after they've delivered the services.

THE TRUTH

No one can legally remove accurate and timely negative information from a credit report. But the law does allow you to request a reinvestigation of information in your file that you dispute as inaccurate or incomplete. There is no

charge for this. Everything a credit repair clinic can do for you legally, you can do for yourself at little or no cost. According to the Fair Credit Reporting Act:

You are entitled to a free copy of your credit report if you've been denied credit within the last 30 days. If your application for credit, insurance, or employment is denied because of information supplied by a credit bureau, the company you applied to must provide you with that credit bureau's name and address.

You can dispute mistakes or outdated items for free. Ask the credit reporting agency for a dispute form or submit your dispute in writing, along with any supporting documentation.

Clearly identify each item in your report that you dispute, explain why you dispute the information, and request a reinvestigation. If the new investigation reveals an error, you may ask that a corrected version of the report be sent to anyone who received your report within the past six months. Job applicants can have corrected reports sent to anyone who received a report for employment purposes during the past two years.

If the reinvestigation does not resolve your dispute, have the credit bureau include your version of the dispute (up to 100 words) in your file and in future reports. Remember, there is no charge for a reinvestigation.

FILE SEGREGATION SCAMS

If you have filed for bankruptcy, you may be told by a "credit repair" company that you won't be able to get any type of credit for ten years. This is not always true.

To help you "hide" your bankruptcy, the credit repair company may promise to tell you how, for a fee, to establish a new credit identity. The plan, however, is illegal.

If you use the plan, often called "file segregation," you could face fines or even prison.

If you have filed for bankruptcy, you may be the target of a new credit repair scheme, often called "file segregation." In this scheme, you are promised a chance to hide unfavorable credit information by establishing a new credit identity. That may sound perfect, especially if you fear that you will not be given any credit as long as bankruptcy appears on your credit record.

The problem is, "file segregation" is illegal. If you use it, you could face fines or even prison.

This fact sheet alerts you to some aspects of this new type of credit repair scam, describes the false claims that fraudulent companies sometimes use to sell you the service, and says why participation is illegal. It also lists other brochures that discuss your credit rights and responsibilities.

THE PITCH: A NEW CREDIT IDENTITY

If you have filed for bankruptcy, you may receive a letter from a credit repair company that warns you about your inability to get credit cards, personal loans, or any other types of credit for ten years. For a fee, the company promises to help you hide your bankruptcy and establish a new credit identity you can use when applying for credit.

If you pay the fee and sign up for the service, you may be directed to apply for an Employer Identification Number (EIN) from the Internal Revenue Service (IRS). Typically, EINs -- which resemble social security numbers -- are used by businesses to report financial information to the IRS and the Social Security Administration.

After you receive your EIN, you are advised to use it in place of your social security number when you apply for credit. You also are advised to use a new mailing address and to include some credit references.

The Catch: False Claims...

Listed here are reasons a credit repair service may give you for establishing a new credit identity. These false claims, along with the pitch for getting a new credit identity, should alert you to the possibility of fraud.

Claim 1: You will not be able to get credit for 10 years (the period of time bankruptcy information may stay on your credit record). Each creditor has its own criteria for granting credit. While one may reject your application because of a bankruptcy, another may grant you credit shortly after you filed for bankruptcy. And, given a new reliable payment record, your chances of obtaining credit will probably increase as time passes.

Claim 2: The company or "file segregation" program is affiliated with the federal government. The federal government does not support or work with companies offering such programs.

Claim 3: The "file segregation" program is legal. It is a federal crime to make any false statements on a loan or credit application, which the credit repair company may advise you to do. It is a federal crime to misrepresent your social security number. It also is a federal crime to obtain an EIN from the IRS under false pretenses. Further, you could be charged with mail or wire fraud if you use the mail or the telephone to apply for credit and provide false information. Also, file segregation would likely constitute civil fraud under many state laws.

HAVE YOU BEEN VICTIMIZED?

If you've had a problem with a credit repair company, don't be embarrassed to report the company. Contact your local consumer affairs office or your state attorney general (AG). Many AGs have toll-free consumer hotlines. Check with your local directory assistance. Indiana's A G toll-free number is 1-800-382-5516.

If you receive a letter from a company making such claims, contact your state attorney general or consumer protection office. You also can file a complaint with the FTC. Write: Correspondence Branch, Federal Trade Commission, Washington, D.C. 20580. While the FTC does not handle individual cases, it can act against companies when it sees a pattern of possible law violations developing.

The National Fraud Information Center (NFIC) also accepts consumer complaints. You can reach NFIC at 1-800-876-7060, 9 a.m. - 5:30 p.m. EST, Monday - Friday, or at <http://www.fraud.org> on the Internet. NFIC is a private, nonprofit organization that operates a consumer assistance phone line to provide services and help in filing complaints. NFIC also forwards appropriate complaints to the FTC for entry on its telemarketing fraud database.

NEED HELP? DON'T DESPAIR

Just because you have a poor credit report doesn't mean you won't be able to get credit. Creditors set their own credit-granting standards and not all of them look at your credit history the same way. Some may look only at more recent years to evaluate you for credit, and they may grant credit if your bill-paying history has improved. It may be worthwhile to contact creditors informally to discuss their credit standards.

If you can't resolve your credit problems yourself or you need additional help, you may want to contact a credit counseling service. There are non-profit organizations in every state that counsel consumers in debt. Counselors try to arrange repayment plans that are acceptable to you and your creditors. They also can help you set up a realistic budget. These counseling services are offered at little or no cost to consumers. You can find the office nearest you by checking the white pages of your telephone directory.

In addition, nonprofit counseling programs sometimes are operated by universities, military bases, credit unions, and housing authorities. They're also likely to charge little or nothing for their services. Or, you can check with your local bank or consumer protection office to see if it has a list of reputable, low-cost financial counseling services.

DO-IT-YOURSELF CHECK-UP FOR FREE

Even if you don't have a poor credit history, it's a good idea to conduct your own credit check-up, especially if you're planning a major purchase, such as a home or car. Checking in advance on the accuracy of the information in your credit report could speed the credit-granting process.

Credit bureaus usually are listed in the yellow pages of your telephone book under "credit reporting agencies." Three large national credit bureaus supply most credit reports: Experian, Equifax, and Trans Union. You may want to contact each of them for a copy of your report.

Experian (Formerly TRW)
P.O. Box 949
Allen, TX 75013-0949
(888) 397-3742
www.experian.com
Free

TransUnion Corporation
Trans Union Consumer Relations
760 West Sproul Road, P.O. Box 390
Springfield, PA 19064-0390
(800) 916-8800, www.tuc.com
\$8 Fee

Equifax Credit Information Services, Inc.
P.O. Box 740241
Atlanta, GA 30374-0241
(800) 685-1111
www.equifax.com
\$8 Fee

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CREDIT REPAIR SCAMS



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SWINDLERS HAVE COMPUTERS TOO

Cyberspace is a vast new territory for unscrupulous marketers. The National Fraud Information Center reports that while fraudulent commercial activity on the Internet is not yet a major problem, as use expands, there is sure to be a major increase in deceptive and misleading promotions.

Swindlers are attracted to the Internet because they can reach thousands of consumers inexpensively, quickly and anonymously. Few restrictions exist on the Internet, making it easy to place deceptive or misleading information online.

Judging the accuracy and reliability of online information is a major challenge for consumers. False or misleading information related to personal finance or health issues, for example, could lead to serious consequences for unsuspecting consumers.

FRAUD ON THE NET

The Federal Trade Commission began investigating fraud on the Internet in 1994. They found that the same kinds of fraud that occur in other places also surface on the Net. Electronic bulletin boards, chat groups, and e-mail networks are fertile grounds for old-fashioned scams that apply false advertising claims and deceptive marketing practices.

Electronic Bulletin Boards provide new sources of information to Internet users telling about products, services, and investment opportunities. At the same time these electronic bulletin boards can carry false and misleading ads for products that promise quick solutions to desirable goals such as weight loss or easy business success. The plan is to have you use your PC to make plenty of money in a short period of time.

Discussion groups or chat forums often form on the Internet where interested parties can exchange information on specific topic areas. These chat rooms sometimes appear to be open discussion when they are sales pitches in disguise. In some cases, people involved in the discussion may have financial ties to businesses that sell products or services related to the topic area. This disguised advertising may not be obvious to the consumer.

E-mail scams involve individuals or companies intentionally misleading consumers or using deceptive marketing practices to gain the consumer's interest in their product. For example, the

use of a particular product is advertised to cure a specific medical condition. These are the same health, diet, and fitness schemes that occur in other marketplace venues, such as mail-order and telemarketing schemes. Other types of e-mail scams involve the sale of worthless products, phony credit repair companies, term paper peddlers, expensive work-at-home deals, psychic hotlines, and deceptive promises related to contests, awards, sweepstakes, and free gifts.

Pyramid or Ponzi schemes and chain letters are well suited to the Internet because they entice investors with the promise of quick profits using a home computer. Investors make money by recruiting new investors. The problem is that soon the program runs out of new investors and most players lose the money they invested. Chain letter schemes ask participants to send money to the names at the top of a list with the promise that they will eventually receive thousands of dollars when their names come to the top. Unsuspecting persons lose money every day on this illegal practice.

Risk-free investment opportunities on the Internet offer fraudulent technological and exotic investments such as wireless cable, bogus securities, or worthless land. These investments promise to yield far greater returns than do commonly available investment products. The term "risk-free" is highly misleading. Few consumers get their money back, much less make a profit.

Pump and Dump stock manipulations on the Internet encourage investors to buy a particular stock, which is usually little known and low cost. The promoters may even advertise that they have inside information. They make their profit when consumers buy the stock, or pump up the price and the promoters then promptly sell, or dump their shares and the stock prices immediately fall. This scheme can also work in reverse; a short seller makes a profit when the price of the stock goes down.

PROBLEMS WITH INTERNET TRANSACTIONS

Two problems with Internet sales transactions are personal data privacy and verification that both buyers and sellers are authentic. Many consumers are concerned about the confidentiality of their personal financial information on the Web, with good reason. When you make a purchase on the Internet, your credit card number could fall into the wrong hands. Personal data can be collected and organized into database

files. When you become a part of an on-line service, your personal data can be available to everyone in that system. While it is unlikely that reputable merchants would deliberately sell your data to others, their database may be tempting targets for hackers.

Verification that consumers are who they say they are can be solved by an electronic equivalent of a signature or a driver's license. A software product currently used by merchants, banks, and brokerage houses tells who the user is and what privileges he or she has. There is a growing interest in credit card payment systems that would safeguard credit card purchases on the Net. Encryption software can scramble your personal information so that it can be read only by the sender and the receiver. The problem remains that personal data might still be available to certain employees or hackers.

Experts urge consumers to avoid dealing with Internet sites they are not familiar with. Even when dealing with a well-known business, call the business directly to verify that the site exists. It continues to be a risky business to give personal information, including address and phone number, credit card numbers, social security numbers, and bank account numbers on the Internet.

PROTECTION AGAINST INTERNET FRAUD

Most people find it hard to believe that they could become victims of fraud, but one should never underestimate the ingenuity of swindlers who make money by misleading others. State and federal laws and agencies have limited capacity to protect consumers from fraud on the Internet. The savvy consumer must stay alert to the possibility of fraud. The National Fraud Information Center offers the following suggestions for side-stepping fraud on the Internet:

Never reveal checking account numbers, credit card numbers, or other personal financial data at any Web site or online service location -- unless you are sure you know where this information will be directed.

When you subscribe to an on-line service you may be asked for credit card information. When you enter any interactive service site however, beware of con artists who may ask you to "confirm" your enrollment in the service by disclosing passwords or the credit card account number used to subscribe.

Use the same common sense you would exercise with any direct or telephone credit card purchase. A flashy professional Internet Web site does not guarantee that the sponsor is legitimate. Know the company with which you plan to do business.

Report anything you see on the Internet that you suspect might be fraudulent. The National Fraud Information Center's toll-free number is 1-800-876-7060. Their mailing address is P.O. Box 65868, Washington, D.C. 20035. Their Web address is <http://www.fraud.org>

Your state Office of the Attorney General is empowered to investigate consumer complaints, including Internet complaints. They can give you information about any problems or concerns they have encountered with the business.

The Better Business Bureau can tell you if there have been any complaints or inquiries about a business and how it was resolved. Some online advertisements will have a blue-seal that you can click on to connect to the Better Business Bureau for a report on the advertiser's track record. The online Web site for the BBB is <http://www.bbbonline.org>

The Federal Trade Commission enforces several consumer protection laws that are relevant to computer transactions, such as false advertising and consumer credit. Suspicious actions on the Web, when reported to the National Fraud Information Center, are shared with the Federal Trade Commission and the National Association of Attorneys General. In this way, consumers join with state and federal agencies in actions to curtail fraud on the Internet.

Although many regulations and agencies have been established to protect consumers from fraud, the principle of let the buyer beware remains the consumer's best protection. Legal protections are limited, fraudulent activities flourish, and once money is lost in a fraudulent scheme the chances of getting it back are extremely small. Awareness of the possibility of fraud is your first line of defense.

The Indiana Department of Financial Institutions, Division of Consumer Credit has many other credit related brochures available. Call our toll-free number or write to the address on the cover for a copy of any of our listed or for further consumer credit information. You can also access information at our web site on the Internet: <http://www.dfi.state.in.us>, then click on Consumer Credit.



FRAUD ON THE INTERNET



DEPARTMENT OF FINANCIAL INSTITUTIONS

Consumer Credit Division

402 West Washington Street, Room W066

Indianapolis, Indiana 46204

317-232-3955

1-800-382-4880

Web Site <http://www.dfi.state.in.us>



CHARACTERISTICS OF VULNERABLE CONSUMERS

Consumer knowledge is the best protection against becoming a victim of deception and fraud. However, vulnerable consumers tend to have characteristics which may cause them to become targets of deceptive practices.

Misplace Their Trust... Vulnerable consumers do not question honesty or ethics of the marketer. For example, they may pay someone who promises to recoup losses from an earlier scam.

Assume They Are Experts... Vulnerable consumers do not seek information about a subject or "opportunity." They may not admit their lack of the necessary knowledge or skills.

Do Not Use Common Sense... Vulnerable consumers let "getting something for nothing" overtake sound reasoning. They do not question what sounds too good to be true. They accept the deal rapidly for fear they might miss the opportunity.

Search for Good Health... Vulnerable consumers let universal desire to be healthy overtake good judgment. They believe in false cures for a serious illness or chronic condition.

Believe Misleading Ads... Vulnerable consumers assume publications accept advertisements from reputable sources only. They assume information in advertisements has been verified as true.

Seek Youth or Beauty... Vulnerable consumers fall for appeals of promised beauty or youth. They are willing to believe what they are told.

Feel Intimidated... Vulnerable consumers buy a product or service out of assumed obligation to the seller. They feel threatened when they question price or quality of goods or services.

Do Not Know or Use Their Legal Rights... Vulnerable consumers do not seek legal counsel when needed. They often fail to report being swindled to law enforcement agencies.

COMMON TYPES OF SCAMS

Scam artists run many different types of schemes. While they may vary, here are some basic scam formats.

"Free Prize" Scam... The consumer is promised a free prize in exchange for purchasing or testing the merchandise.

Investment Scam... The consumer is offered the opportunity to invest at a deep discount or earn an extremely high rate of return. The investment instruments frequently do not exist.

Business Opportunity Scam... The consumer is offered the chance to make big money working at home or buying a franchise. Promised earnings may be inflated or fictitious.

Charity Scam... The consumer is asked to contribute to a nonexistent charity or one in which most of the money actually goes directly to the fundraiser.

CHARACTERISTICS OF DECEPTIVE SCHEMES

- ◆ Sellers sometimes use misleading advertising to sell products or services or solicit donations without disclosing all terms.
- ◆ Sellers make consumers think they are getting a good deal or something for "free."
- ◆ Consumers buy overpriced goods or services to qualify for their "free" gift or prize.
- ◆ Sellers use high pressure sales tactics or demand immediate action.
- ◆ Sellers promise unrealistically high returns on investments or earnings from business opportunities.

ISSUE: SLAMMING

Definition... A long distance company switches a customer to its network without the customer's authorization or with misleading authorization forms. For example:

You are at a street fair and sign up for a free prize drawing. In small print on the card, you also authorize switching of your long distance carrier.

A telemarketer asks you to change to its network. After you tell the caller you do not want to change, they move you anyway.

A company changes you to their network without speaking with you or you signing any authorization form.

Problem... Although carriers are required to switch customers back without charge, customers have to pay the charges for calls placed on the second company's network, sometimes at much higher rates than before. In the process, consumers are inconvenienced and denied their right to choose.

Action... If your long-distance company was switched without your permission, you have been slammed, and that's illegal. Here's how to avoid it:

Get information in writing. Do not agree to switch companies over the phone.

Make sure that your signature on a special promotion does not also authorize switching your long distance service.

Instruct your local phone company to freeze your long-distance service to the carrier of your choice.

Ask the company that slammed you to pay any switching fees charged by your local phone company.

ISSUE: TELEMARKETING FRAUD

Facts to Know:

Telephone swindles are often aimed at the elderly or immigrants.

The National Fraud Information Center estimates the total cost of telemarketing fraud to consumers may be as high as \$40 billion annually.

The North American Securities Association states that consumers lose \$1 million an hour to investment scams promoted over the telephone.

Both honest and illegitimate telemarketing sellers use 800 and 900 numbers to market goods and services.

According to the National Association of Attorneys General, telemarketing swindlers defraud about 100,000 Americans every week or 10 Americans every minute.

An AT&T Consumer Rights Survey showed that about 25% of the respondents had been persuaded by potentially fraudulent telemarketing techniques. In that same survey, 18% said they had been subject of a major fraud, scam, or swindle.

The National Consumer League estimates that at least 1 million of the consumers who were defrauded in the past year did not report it to authorities.

If you call an 800 number and are then asked to call another long distance number or to receive a collect call to obtain more information, you will be charged for the second call.

Thieves, using an electrical device, can eavesdrop on your cellular phone, steal your phone number, and use it to charge calls to the account.

AVOID BECOMING A VICTIM

- ◆ If it sounds too good to be true, it probably is.
- ◆ Do not be pressured by salespeople into buying NOW.
- ◆ Investigate before you invest.
- ◆ Try to avoid purchasing goods or services from people, companies, or organizations you do not know, whether by phone, in person, or by mail.
- ◆ Be skeptical about unsolicited phone calls, especially about investments. Say: "Sorry, I do not do business over the phone with people I do not know."
- ◆ Ask the caller to send information about the company and verify it.
- ◆ Do not pay for something that is supposedly "free."
- ◆ Do not give your telephone calling card, credit card, or bank account numbers to strangers by telephone or mail unless you initiated the order for goods or services.
- ◆ If you use a cellular phone, request a detailed billing of calls from your cellular carrier and use a Personal Identification Number (PIN).
- ◆ Before contributing to charities you are unfamiliar with, check them out with your state charities regulator, such as the Attorney General's office.

Ask for information about the company, price information, and written estimates from door-to-door salespeople before doing business with them.

If you think you've been a victim, contact your local police or Better Business Bureau, your state attorney general, the FTC, the U.S. Postal Inspection Service, or the National Fraud Information Center.

JUST HANG UP OR SHUT THE DOOR

Hanging up is often the best action when you receive a call from anyone offering a fabulous deal over the telephone. Do not invite a door-to-door salesperson into your home if you do not want to hear a sales pitch. If you are approached by a telemarketer or door-to-door salesperson, ask yourself these questions:

- ◆ Does the seller want me to act quickly before I lose a good deal?
- ◆ Does the seller want my phone calling card, credit card, or bank account number?
- ◆ Does the seller offer to pick up my money right away?
- ◆ Does the seller promise little risk and large, short term profits?
- ◆ Does the seller want me to pay money in order to receive a free gift?

If your answer is "yes" to any of the questions, you may be dealing with a con-artist.

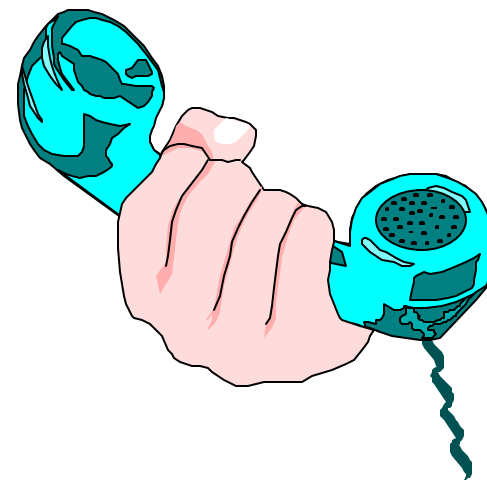
To report a scam or a fraud, Contact...

National Fraud Information Center (NFIC)
Consumer Assistance Service
(800) 876-7060 Their Web address is <http://www.fraud.org>

The NFIC provides... Accurate information on how and where to report fraud.



HANG UP ON FRAUD



DEPARTMENT OF FINANCIAL INSTITUTIONS

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317-232-3955
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Home Equity Scams: Borrowers Beware!

Do you own your home? If so, it's likely to be your greatest single asset. Unfortunately, if you agree to a loan that's based on the equity you have in your home, you may be putting your most valuable asset at risk.

Homeowners—particularly elderly, minority, and those with low incomes or poor credit—should be careful when borrowing money based on their home equity. Why? Certain abusive or exploitative lenders target these borrowers, who unwittingly may be putting their home on the line.

Abusive lending practices range from equity stripping and loan flipping to hiding loan terms and packing a loan with extra charges. The Federal Trade Commission urges you to be aware of these loan practices to avoid losing your home.

THE PRACTICES

Equity Stripping...

You need money. You don't have much income coming in each month. You have built up equity in your home. A lender tells you that you could get a loan, even though you know your income is just not enough to keep up with the monthly payments. The lender encourages you to "pad" your income on your application form to help get the loan approved.

This lender may be out to steal the equity you have built up in your home. The lender doesn't care if you can't keep up with the monthly payments. As soon as you don't, the lender will foreclose—taking your home and stripping you of the equity you have spent years building. If you take out a loan but don't have enough income to make the monthly payments, you are being set up. You probably will lose your home.

Hidden Loan Terms... The Balloon Payment

You've fallen behind in your mortgage payments and may face foreclosure. Another lender offers to save you from foreclosure by refinancing your mortgage and lowering your monthly payments. Look carefully at the loan terms. The payments may be lower because the lender is offering a loan on which you repay only the interest each month. At the end of the loan term, the principal—the entire amount that you borrowed—is due in one lump sum called a balloon payment. If you can't make the balloon payment or refinance, you face foreclosure and the loss of your home.

Loan Flipping...

Suppose you've had your mortgage for years. The interest rate is low and the monthly payments fit nicely into your budget, but you could use some extra money. A lender calls to talk about refinancing and, using the availability of extra cash as bait, claims it's time the equity in your home started "working" for you. You agree to refinance your loan. After you've made a few payments on the loan, the lender calls to offer you a bigger loan for, say, a vacation. If you accept the offer, the lender refinances your original loan and then lends you additional money. In this practice—often called "flipping"—the lender charges you high points and fees each time you refinance, and may increase your interest rate as well. If the loan has a prepayment penalty, you will have to pay that penalty each time you take out a new loan.

You now have some extra money and a lot more debt, stretched out over a longer time. The extra cash you receive may be less than the additional costs and fees you were charged for the refinancing. And what's worse, you are now paying interest on those extra fees charged in each refinancing. Long story short? With each refinancing, you've increased your debt and probably are paying a very high price for some extra cash. After a while, if you get in over your head and can't pay, you could lose your home.

The "Home Improvement" Loan...

A contractor calls or knocks on your door and offers to install a new roof or remodel your kitchen at a price that sounds reasonable. You tell him you're interested, but can't afford it. He tells you it's no problem—he can arrange financing through a lender he knows. You agree to the project, and the contractor begins work. At some point after the contractor begins, you are asked to sign a lot of papers. The papers may be blank or the lender may rush you to sign before you have time to read what you've been given. The contractor threatens to leave the work on your house unfinished if you don't sign.

You sign the papers. Only later, you realize that the papers you signed are a home equity loan. The interest rate, points, and fees seem very high. To make matters worse, the work on your home isn't done right or hasn't been completed, and the contractor, who may have been paid by the lender, has little interest in completing the work to your satisfaction.

Credit Insurance Packing...

You've just agreed to a mortgage on terms you think you can afford. At closing, the lender gives you papers to sign that include charges for credit insurance or other "benefits" that you did not ask for and do not want. The lender hopes you don't notice this, and that you just sign the loan papers where you are asked to sign. The lender doesn't explain

exactly how much extra money this will cost you each month on your loan. If you do notice, you're afraid that if you ask questions or object, you might not get the loan.

The lender may tell you that this insurance comes with the loan, making you think that it comes at no additional cost. Or, if you object, the lender may even tell you that if you want the loan without the insurance, the loan papers will have to be rewritten, that it could take several days, and that the manager may reconsider the loan altogether. If you agree to buy the insurance, you really are paying extra for the loan by buying a product you may not want or need.

Credit insurance cannot be required if they are showing it on your itemization of the amount financed as an additional charge. The lender can require the insurance; but, if they do, the premium must be in the finance charge and reflected in the disclosed annual percentage rate.

MORTGAGE SERVICING ABUSES

After you get a mortgage, you receive a letter from your lender saying that your monthly payments will be higher than you expected. The lender says that your payments include escrow for taxes and insurance even though you arranged to pay those items yourself with the lender's okay. Later, a message from the lender says you are being charged late fees. But you know your payments were on time. Or, you may receive a message saying that you failed to maintain required property insurance and the lender is buying more costly insurance at your expense. Other charges that you don't understand—like legal fees—are added to the amount you owe, increasing your monthly payments or the amount you owe at the end of the loan term.

The lender doesn't provide you with an accurate or complete account of these charges. You ask for a payoff statement to refinance with another lender and receive a statement that's inaccurate or incomplete. The lender's actions make it almost impossible to determine how much you've paid or how much you owe. You may pay more than you owe.

SIGNING OVER YOUR DEED

If you are having trouble paying your mortgage and the lender has threatened to foreclose and take your home, you may feel desperate. Another "lender" may contact you with an offer to help you find new financing. Before he can help you, he asks you to deed your property to him, claiming that it's a temporary measure to prevent foreclosure. The promised refinancing that would let you save your home never comes through.

Once the lender has the deed to your property, he starts to treat it as his own. He may borrow against it (for his benefit, not yours) or even sell it to someone else. Because you don't own the home any more,

you won't get any money when the property is sold. The lender will treat you as a tenant and your mortgage payments as rent. If your "rent" payments are late, you can be evicted from your home.

PROTECTING YOURSELF

You can protect yourself against losing your home to inappropriate lending practices. Here's how:

Don't:

- ◆ Agree to a home equity loan if you don't have enough income to make the monthly payments.
- ◆ Sign any document you haven't read or any document that has blank spaces to be filled in after you sign.
- ◆ Let anyone pressure you into signing any document.
- ◆ Agree to a loan that includes credit insurance or extra products you don't want.
- ◆ Let the promise of extra cash or lower monthly payments get in the way of your good judgment about whether the cost you will pay for the loan is really worth it.
- ◆ Deed your property to anyone. First consult an attorney, a knowledgeable family member, or someone else you trust.

Do:

- ◆ Ask specifically if credit insurance is required as a condition of the loan. If it isn't, and a charge is included in your loan and you don't want the insurance, ask that the charge be removed from the loan documents. If you want the added security of credit insurance, shop around for the best rates.
- ◆ Keep careful records of what you've paid, including billing statements and canceled checks. Challenge any charge you think is inaccurate.
- ◆ Check contractors' references when it is time to have work done in your home. Get more than one estimate.
- ◆ Read all items carefully. If you need an explanation of any terms or conditions, talk to someone you can trust, such as a knowledgeable family member or an attorney. Consider all the costs of financing before you agree to a loan.

The Indiana Department of Financial Institutions, Division of Consumer Credit has many other credit related brochures available, such as:

Answers to Credit Problems

Applying for Credit
At Home Shopping Rights
Bankruptcy Facts
Buried in Debt
Car Financing Scams
Charge Card Fraud
Choosing A Credit Card
Co-Signing
Credit and Divorce
Credit and Older Consumers
Deep in Debt?
Equal Credit Opportunity
Fair Credit Reporting
Fair Debt Collection
Gold Cards
Hang up on Fraud
High Rate Mortgages
Home Equity Credit Lines
How to Avoid Bankruptcy
Indiana Uniform Consumer Credit Code
Look Before you Lease
Mortgage Loans
Repossession
Reverse Mortgage Loans
Rule of 78s – What is it?
Scoring for Credit
Shopping for Credit
Using Credit Cards
Variable Rate Credit
What is a Budget?
What is the DFI?

Call our toll-free number or write to the address on the cover for a copy of any of the brochures listed or for further consumer credit information. You can also access information at our web site on the Internet: <http://www.dfi.state.in.us>, then click on Consumer Credit.



HOME EQUITY LOAN SCAMS



DEPARTMENT OF FINANCIAL INSTITUTIONS

Consumer Credit Division

402 West Washington Street, Room W066

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317-232-3955

1-800-382-4880

Web Site <http://www.dfi.state.in.us>



What to Do If Your Identity is Stolen

"I don't remember charging those items. I've never even been in that store."

Maybe you never charged those items, but someone else did...someone who used your name and personal information to commit fraud. When an imposter co-opts your name, your Social Security number, your credit card number, or some other piece of your personal information for their use - in short, when someone appropriates your personal information without your knowledge - it's a crime, pure and simple.

The biggest problem? You may not know your identity's been stolen until you notice that something's amiss: you may get bills for a credit card account you never opened, your credit report may include debts you never knew you had, a billing cycle may pass without your receiving a statement, or you may see charges on your bills that you didn't sign for, didn't authorize, and don't know anything about.

First Things First

If someone has stolen your identity, the Federal Trade Commission recommends that you take three actions immediately.

First, contact the fraud departments of each of the three major credit bureaus. Tell them to flag your file with a fraud alert including a statement that creditors should call you for permission before they open any new accounts in your name.

	REPORT FRAUD	OTHER REPORTS
EQUIFAX	800-525-6285	800-685-1111
EXPERIAN	888-397-3742	888-397-3742
TRANS UNION	800-680-7289	800-916-8800

It's a good idea to order a copy of your credit report from the three credit bureaus every year to check on their accuracy and whether they include only those debts and loans you've incurred. This could be very important if you're considering a major purchase, such as a house or a car. A credit bureau may charge you up to \$8 for a copy of your report.

Second, file a police report. Keep a copy in case your creditors need proof of the crime.

Third, contact the creditors for any accounts that have been tampered with or opened fraudulently. Ask to speak with someone in the security or fraud department, and follow up in writing. Following up with a letter is one of the procedures spelled out in the Fair Credit Billing Act for resolving errors on credit billing statements, including charges or electronic fund transfers that you have not made.

Next, Take Control

Although identity thieves can wreak havoc on your personal finances, there are some things you can do to take control of the situation. Here's how to handle some of the most common forms of identity theft.

If an identity thief has stolen your mail for access to new credit cards, bank and credit card statements, pre-approved credit offers and tax information or falsified change-of-address forms, (s)he has committed a crime. Report it to your local postal inspector.

If you discover that an identity thief has changed the billing address on an existing credit card account, close the account. When you open a new account, ask that a password be used before any inquiries or changes can be made on the account. Avoid using easily available information like your mother's maiden name, your birth date, the last four digits of your Social Security number or your phone number, or a series of consecutive numbers. Avoid the same information and numbers when you create a Personal Identification Number (PIN).

To thwart an identity thief who may pick through your trash to capture your personal information, tear or shred your charge receipts, copies of credit applications, insurance forms, bank checks and statements, expired charge cards, and credit offers you get in the mail.

If you have reason to believe that an identity thief has accessed your bank accounts, checking account or ATM card, close the accounts immediately. When you open new accounts, insist on password-only access. If your checks have been stolen or misused, stop payment. If your ATM card has been lost, stolen or otherwise compromised, cancel the card and get another with a new PIN.

If an identity thief established new phone service in your name and is making long-distance calls, making unauthorized calls

that appear to come from - and are billed to - your cellular phone, or using your calling card and PIN, contact your service provider immediately to cancel your account and calling card. Get new accounts and new PINs.

If it appears that someone is using your Social Security number when applying for a job, get in touch with the Social Security Administration to verify the accuracy of your reported earnings and that your name is reported correctly. Call (800) 772-1213 to check your Personal Earnings and Benefit Estimate.

If you suspect that your name or Social Security number is being used by an identity thief to get a driver's license, contact your Department of Motor Vehicles. If your state uses your Social Security number as your driver's license number, ask to substitute another number.

If You're Still Having Identity Problems...

Stay alert to new instances of identity theft. Notify the company or creditor that's involved immediately. Follow up in writing.

For more information about identity theft, check out the federal government's Federal Trade Commission (FTC) central web site <http://www.consumer.gov/idtheft> on identity theft. The FTC has established a toll-free number 1-800-877-438-4338 to identity theft complaints.

You also may want to contact:

The **Privacy Rights Clearinghouse**, which provides information on how to network with other identity theft victims. Call (619) 298-3396 or visit their Web site at <http://www.privacyrights.org>.

The **US Secret Service**, which has jurisdiction over financial fraud cases at their Web Site - <http://www.ustreas.gov/usss>. Although the Service generally investigates cases where the dollar loss is substantial, your information may provide evidence of a larger pattern of fraud requiring their involvement. Contact your local field office.

The **U.S. Department of Justice and the FBI** at their Web Site <http://www.usdoj.gov/criminal/fraud/idtheft.html>. The Justice Department, which prosecutes federal fraud cases, and its Federal Bureau of Investigation, which investigates suspected ID thefts, have posted useful information on the Internet. To speak with

someone at a local field office of the FBI, check the government listings in your local telephone book.

The **Social Security Administration** at their Web Site <http://www.ssa.gov> , which may issue you a new Social Security number if you still have difficulties even after trying to resolve the problems resulting from identity theft. Unfortunately, there is no guarantee that a new Social Security number will resolve your problems.

Complaint Clearinghouse

The Federal Trade Commission (FTC) is the federal clearinghouse for consumer complaints about identity theft. The information you provide can help the Commission and other law enforcement agencies track, investigate and prosecute identity thieves.

You can file a complaint with the **FTC** at their Web Site <http://www.ftc.gov/bcp/conline/complaint.htm> .

Although the FTC cannot resolve individual problems for consumer, it can act against a company if it sees a pattern of possible law violations.

The Indiana Department of Financial Institutions, Division of Consumer Credit has many other credit related brochures available.

Call our toll-free number or write to the address on the cover for a copy of any of our brochures or for further consumer credit information. You can also access information at our web site on the Internet: <http://www.dfi.state.in.us>, then click on Consumer Credit.



IDENTITY CRISES

WHAT TO DO IF YOUR IDENTITY IS STOLEN



When Bad Things Happen
To Your Good Name

DEPARTMENT OF FINANCIAL INSTITUTIONS

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Ads like on the cover may appeal to you if you have a poor credit history or no credit at all. **Beware!** While secured credit cards can be an effective way to build or re-establish your credit history, some marketers of secured cards make deceptive advertising claims to entice you to respond to their ads.

SECURED VS. UNSECURED CARDS

Secured and unsecured cards can be used to pay for goods and services. However, a secured card requires you to open and maintain a savings account as security for your line of credit; an unsecured card does not.

The required savings deposit for a secured card may range from a few hundred to several thousand dollars. Your credit line is a percentage of your deposit, typically 50 to 100 percent. Usually, a bank will pay interest on your deposit. In addition, you also may have to pay application and processing fees — sometimes totaling hundreds of dollars. Before you apply, be sure to ask what the total fees are and whether they will be refunded if you're denied a card. Typically, a secured card requires an annual fee and has a higher interest rate than an unsecured card.

DECEPTIVE ADS AND SCAMS

The Federal Trade Commission (FTC) has taken action against companies that deceptively advertise major credit cards through television, newspapers, and postcards. The ads may offer unsecured credit cards, secured credit cards, or not specify a card type. The ads usually lead you to believe you can get a card simply by calling the number listed. Sometimes the number is not toll-free. A "900" number service, for which you are billed just for making the call, may instruct you to give your name and address to receive a credit application, or give you a list of banks offering secured cards. It also

may tell you to call another "900" number— at an additional charge—for more information.

DECEPTIVE ADS OFTEN LEAVE OUT IMPORTANT INFORMATION:

- ◆ The cost of the "900" call— which can range from \$2 to \$50 or more;
- ◆ The required security deposit, application, and processing fees;
- ◆ Eligibility requirements like income or age;
- ◆ An annual fee or the fact that the secured card has a higher than average interest rate on any balance.

HOW TO AVOID THE SCAM

To avoid being victimized, look for the following signs:

Offers of easy credit. No one can guarantee to get you credit. Before deciding whether to give you a credit card, legitimate credit providers examine your credit report.

A call to a "900" number for a credit card. You pay for calls with a 900 prefix — and you may never receive a credit card.

Credit cards offered by "credit repair" companies or "credit clinics." These businesses also may offer to clean-up your credit history for a fee. However, you can correct genuine mistakes or outdated information yourself by contacting credit bureaus directly. Remember that only time and good credit habits will restore your credit worthiness. See our Brochure on Fair Credit Reporting.

CREDIT REPORTING

If you're considering a secured card as a way to build or re-establish a credit record,

make sure the issuer reports to a credit bureau. Your credit history is maintained by companies called credit bureaus; they collect information reported to them by banks, mortgage companies, department stores, and other creditors. If your card issuer doesn't report to a bureau, the card won't help you build a credit history.

FOR MORE INFORMATION

To build a credit record, you may want to apply for a charge card or a small loan at a local store or lending institution. Ask if the creditor reports transactions to a credit bureau. If they do —and if you pay back your debts regularly— you will build a good credit history.

If you cannot get credit on your own, you can ask a relative or friend with a good credit history to act as your cosigner. The cosigner promises to repay the debt if you don't.

If you're interested in applying for a secured credit card, the BankCard Holders of America (BHA) provides a list of institutions offering secured cards. Send a check or money order for \$4.00 to: "Secured Credit Card List," BHA Customer Service, 524 Branch Drive, Salem, VA 24153.

If you're having problems paying bills, you may want to contact a credit counseling service. Non-profit organizations in every state counsel consumers who are in debt. Counselors try to arrange a repayment plan that is acceptable to you and your creditors. They also can help you set up a realistic budget. These counseling services are offered at little or no cost to consumers. You can find the office nearest you by checking the White Pages of your telephone directory. See our Brochure on Choosing a Credit Counselor.

Sometimes, non-profit counseling programs are operated by universities, military bases, credit

unions, and housing authorities. They are likely to charge little or nothing for their services. Or you can check with your local bank or consumer protection office to see if it has a list of reputable low-cost financial counseling services.

If you have problems or questions about a secured credit card marketer, contact your local consumer protection agency or state Attorney General's office.

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SECURED CREDIT CARD MARKETING SCAMS

ANYONE CAN QUALIFY FOR A MAJOR CREDIT CARD!

Separated? - Divorced? - Bankrupt? -
Widowed?

**BAD CREDIT? - NO CREDIT? NO
PROBLEM!**

900-000-0000

Make the call NOW and get the credit you
deserve!

Even if you've been turned down before, you
owe it to yourself and your family.

Your major credit card is waiting.

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317-232-3955
1-800-382-4880
Web Site <http://www.dfi.state.in.us>

Fast Facts

- ◆ Consumers lose an estimated \$40 billion a year to telemarketing fraud.
- ◆ Senior citizens often are the target of telephone scams; the FBI estimates that as many as 80 percent of the victims are older people.
- ◆ The Telemarketing Sales Rule is enforced by the Federal Trade Commission, State Attorneys General, and in some instances, private citizens. The Rule empowers consumers to stop unwanted telemarketing calls and for the first time gives specific ways to tell legitimate companies from telephone crooks.

THE SCAMS

According to the National Fraud Information Center, a project of the National Consumers League, the top fraud complaints are:

Sweepstakes / contests. To enter sweepstakes or contests, no purchase is necessary; however, the offers lead you to believe that you have a better chance to win if you purchase their products. If you want to enter their sweepstakes or contest, go ahead but don't make unwanted purchases to do so.

Magazines / publication offers. You are offered all kinds of "merchandise" to order different magazines and when you order them, the "merchandise" you receive is worthless.

Work-at-home schemes. Beware of the promise of hundreds of dollars for addressing mail, etc. You are usually required to purchase costly supplies and do not make the promised income.

Investments schemes. Investment scams are characterized by representations of high earnings with little risk. They capitalize on consumers' financial needs, naiveté, and optimism. These scams are most common in economically depressed areas. The type of investment varies from gems and rare coins to FCC licenses and oil and gas leases. What consumers should remember is that the level of risk is usually proportional to the size of the return. Therefore, high earnings with little or no risk is false and misleading. Before you do

business with a company, check it out with the Better Business Bureau.

Advance fee loans / credit offers. Most credit scams and specifically, advance-fee scams, "guarantee" or represent a "high likelihood of success" that the caller will be able to get or arrange a loan or other form of credit for a consumer, regardless of the consumer's credit history. These scams differ from legitimate, guaranteed offers of credit in one critical way: they require payments up front, before the lender is identified and the application is completed. Companies that do business by phone can't ask you to pay for credit before you get it.

Phony prize scams. Consumers are told they have won a valuable prize, but that they must buy expensive merchandise or pay hundreds of dollars in handling fees or taxes to receive the prize.

Overseas pager scams. Consumers return a pager message at a telephone number with an unfamiliar area code, unaware that they are calling a foreign number connected to high-priced phone services that provide useless information or adult-oriented material.

Credit repair. Companies promise, for a fee, to clean up a credit report so a consumer can get a car loan, a home mortgage, or even a job. The truth is that they can't deliver. No one can legally remove accurate and timely negative information from a credit report.

Employment service scams. Consumers are generally promised jobs that pay well yet demand few skills or little training. Legitimate job placement firms that work to fill specific positions cannot charge an upfront fee.

Fraudulent real estate deals. These scams take generally two forms: fraudulent brokers who represent that they can sell consumers' property for a high return and fraudulent sellers who want to sell bogus property to unsuspecting consumers. Fraudulent brokers misrepresent the market and the size of their lists of sales agents and potential buyers for the property. They have upfront "listing" or "brokerage" fees. You should never pay any fees until property is sold and don't buy property based on pictures or representations.

Fraudulent scholarship services. Some scholarship search services misrepresent their services, guaranteeing that they can

obtain scholarships or actually award scholarships to students for an advance fee. Usually all the consumer receives is a list of scholarships or grants for which they can apply. Other fraudulent companies provide nothing for the student's advance fee.

Travel and vacation scams. These scams usually are characterized by free or exclusive offers or unrealistically low prices. Often these scams are linked to prize promotions or sweepstakes offers. They fail to disclose that certain fees, conditions, and restrictions apply and they misrepresent the nature or quality of the travel and hotel accommodations. You might have to spend one of the two free days in Florida attending a timeshare presentation or else pay for your hotel. A cruise to the Bahamas may turn out to be a short "ferry" ride. Consumers routinely lose hundreds of dollars in these scams.

Recovery room operators contacting people who have lost money to a previous telemarketing scam and promising that they will recover lost money or the product or prize you never received in exchange for a fee or donation to a specified charity.

HOW NOT TO FALL FOR TELEMARKETING FRAUD

- ◆ Don't buy from an unfamiliar company.
- ◆ Ask for - and wait until you receive - written information about the offer.
- ◆ Check out unfamiliar companies or suspicious offers with officials.
- ◆ Don't be pressured into a decision.
- ◆ Above all - don't give out your credit card or checking account number.
- ◆ If it sounds too good to be true, it probably isn't true.

HANG UP ON TELEMARKETING FRAUD

Consumer advocates have urged potential fraud victims to "just hang up" when telephone marketers offer "too good to be true" luxury prizes and surefire "double your money" investments, etc. While many legitimate telephone markets operate in this country, consumers need to know that they don't need to be

taken in by slick con men. People who use illegal telemarketing tactics to dupe consumers out of their money are not salesmen or saleswomen, they are crooks and criminals. They do with sweet-sounding sincerity on the telephone what muggers do in person: they steal your money.

HIGHLIGHTS OF THE TELEMARKETING SALES RULE

It is illegal for a company's telemarketer to call you if you have asked that company not to call you.

Calling times are restricted to the hours between 8 a.m. and 9 p.m.

Telemarketers must tell you it's a sales call, the name of the seller, and what they are selling before they make their sales pitch. If they are promoting a prize, they must tell you that no purchase or payment is necessary to enter or win. If they ask you to pay for a prize, hang up. Free is free.

It's illegal for telemarketers to misrepresent any information, including facts about their goods or services, earnings potential, profitability, risk or liquidity of an investment, or the nature of a prize in a prize-promotion scheme.

Telemarketers must tell you the total cost of the products or services offered and any restrictions on getting or using them - or that a sale is final or non-refundable - before you pay. In a prize promotion, they must tell you the odds of winning, that no purchase or payment is necessary to win, and any restrictions or conditions of receiving the prize.

It's illegal for a telemarketer to withdraw money from your checking account without your express, verifiable authorization.

Telemarketers cannot lie to get you to pay, regardless of the method of payment you choose.

You do not have to pay in advance for credit repair, recovery room, or advance-fee loan/credit services until you receive the services.

Violators of Telemarketing Sales Rule face up to \$10,000 in fines for each violation.

State Attorneys General as well as the Federal Trade Commission and in some cases individual consumers, can bring an action against alleged offenders.

To report a scam or a fraud, Contact:

National Fraud Information Center (NFIC)
Consumer Assistance Service
(800) 876-7060 Their Web address is <http://www.fraud.org>

The NFIC provides:

- ▶ Accurate information on how and where to report fraud.
- ▶ Direct complaint referrals to the Federal Trade Commission's National Telemarketing Fraud Database.
- ▶ Advice for consumers

The Federal Trade Commission (FTC) is making it easier and cheaper for consumers to report a fraud to the law enforcement agency through a toll-free Consumer Help Line, 1-877-FTC-HELP (1-877-382-4357). The line is staffed by counselors from 9 a.m. to 8 p.m., Eastern Time, Monday through Friday. Through the toll-free Help Line, consumers can get helpful information on the spot. The FTC can't intervene in individual disputes, but consumer complaint information is crucial to the enforcement of consumer protection laws. The FTC web site is <http://www.ftc.gov> or for the online complaint form, or you can write to FTC, Consumer Response Center, Washington DC 20580-0001.



The Indiana Department of Financial Institutions, Division of Consumer Credit has many other credit related brochures available.

Call our toll-free number or write to the address on the cover for information on the brochures or for further consumer credit information. You can also access information at our web site on the Internet: <http://www.dfi.state.in.us>, then click on Consumer Credit.



TELEMARKETING FRAUD



DEPARTMENT OF FINANCIAL INSTITUTIONS

Consumer Credit Division
402 West Washington Street, Room W066
Indianapolis, Indiana 46204
317-232-3955
1-800-382-4880
Web Site <http://www.dfi.state.in.us>



YOUR CREDIT CARD RIGHTS . . .

If you've ever been hassled by the credit department's computer, you'll be pleased to learn about the rights that you have when you think that your bill is wrong.

The Fair Credit Billing Act establishes procedures for resolving billing errors on your credit card and is an addition to the Truth in Lending law. This brochure explains how to resolve a billing dispute in a way that protects your credit rating.

BILLING ERRORS. . .

You may challenge either the purchase or the price of an item that appears on your billing statement. The law defines an error as any charge:

- * Not made either by you or someone authorized to use your account.
- * Poorly identified, for a different amount or on a different date than is shown on the statement.
- * Made for something that you did not accept on delivery or that was not delivered according to agreement.

Billing errors also include:

- * Failure to credit your account properly.
- * Computational or accounting mistakes.
- * Failure to mail your statement to your current address, provided you notified the creditor of your address change, in writing, at least 20 days before the billing period ended.
- * A request for additional information or an explanation about a questionable item is also considered a billing error.

WHEN AN ERROR OCCURS. . .

If you think your bill is wrong or want more information about it, follow these steps:

1. Notify the creditor in writing within 60 days after the bill was mailed. Be sure to include:

- ✓ Your name and address
- ✓ A statement that you believe the bill contains an error and an explanation of why you believe there is an error.
- ✓ The suspected amount of the error.

2. While you are waiting for an answer, you do not have to pay the amount in question (the "disputed amount") or any minimum payments or finance charges that apply to it. But you are still obligated to pay all parts of the bill that are not in dispute.

3. The creditor must acknowledge your letter within 30 days, unless your bill is corrected before then. Within two billing periods, but in no case more than 90 days, your account must either be corrected or you must be told why the creditor believes the bill is correct.

4. If the creditor made a mistake, you do not pay any finance charges on the disputed amount. Your account must be corrected for either the full amount in dispute, or for the part of the amount that was in error.

If no error is found, the creditor must also notify you promptly of when payment is due and how much you owe. In this case, the amount may include any finance charges accumulated and any minimum payments you missed while you were questioning your bill.

DEFECTIVE MERCHANDISE OR SERVICES. . .

The law provides that you may withhold payment of any balance due on defective merchandise or services purchased with a credit card, provided you have made a good faith effort to return the goods or resolve the problem with the merchant from whom you made the purchase.

If the store that honored the credit card was not also the issuer of the card, two limitations apply to this right: The original amount of the purchase must have exceeded \$50 and the sale must have taken place in your state or within 100 miles of your current address.

In the case of defective merchandise or services, a legal action may result to determine the validity of your claim.

YOUR CREDIT RATING. . .

Once you have written about a possible error, the creditor may not report you as delinquent to other creditors or credit bureaus or threaten to damage your credit rating because you are not paying the disputed amount. Until your letter is answered, the creditor also may not take any collection action on the disputed amount, or restrict your account because of the dispute. A creditor can, however, apply the disputed amount against your credit limit.

But, after the bill has been explained, and if you still disagree in writing within 10 days (or within the time you usually have to pay your bill before the creditor may impose additional finance or other charges) and do not pay, the creditor can report you as delinquent on your account and begin collection proceedings. If this is done, the creditor must also report that you challenge your bill, and you must be provided in writing the name and address of each person to whom your credit information has been given. When the matter is settled, the creditor must report the outcome to each person who received information about you.

PENALTIES AND OTHER PROVISIONS. . .

The law provides that any creditor who fails to comply with the rules applying to billing errors and credit ratings automatically forfeits the amount of the item in question and any finance charges on it, up to a total of \$50, even if no error occurred. You as an individual may also sue for actual damages plus twice the amount of any finance charges, in any case not less than \$100 or more than \$1,000. Class action suites are also permitted.

The law also includes requirements for prompt reporting and crediting of payments or returns of merchandise. In addition, it provides that credit card issuers may not prohibit stores which honor their cards from offering discounts to customers who pay in cash or by check.



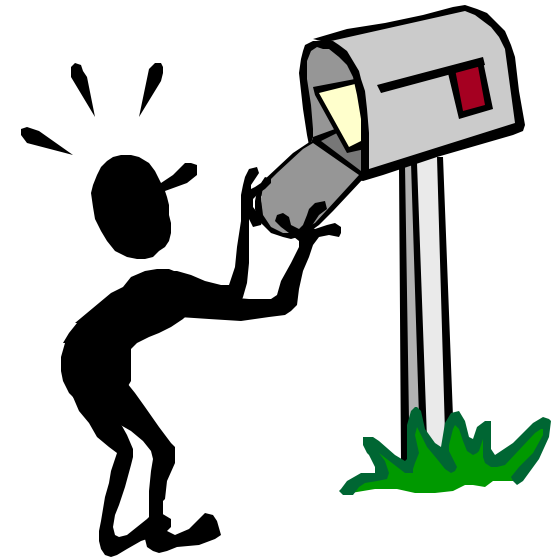
The Indiana Department of Financial Institutions, Division of Consumer Credit has many other credit related brochures available, such as:

Answers to Credit Problems
Applying for Credit
At Home Shopping Rights
Bankruptcy Facts
Buried in Debt
Car Financing Scams
Charge Card Fraud
Choosing A Credit Card
Co-Signing
Credit and Divorce
Credit and Older Consumers
Deep in Debt?
Equal Credit Opportunity
Fair Credit Reporting
Fair Debt Collection
Gold Cards
Hang up on Fraud
High Rate Mortgages
Home Equity Credit Lines
How to Avoid Bankruptcy
Indiana Uniform Consumer Credit Code
Look Before you Lease
Mortgage Loans
Repossession
Reverse Mortgage Loans
Rule of 78s – What is it?
Scoring for Credit
Shopping for Credit
Using Credit Cards
Variable Rate Credit
What is a Budget?
What is the DFI?

Call our toll-free number or write to the address on the cover for a copy of any of the brochures listed or for further consumer credit information. You can also access information at our web site on the Internet: <http://www.dfi.state.in.us>, then click on Consumer Credit.



FAIR CREDIT BILLING



DEPARTMENT OF FINANCIAL INSTITUTIONS

Consumer Credit Division
402 West Washington Street, Room W066
Indianapolis, Indiana 46204
317-232-3955
1-800-382-4880
Web Site <http://www.dfi.state.in.us>

